TORONTO'S URBAN WOOD CLUSTER

IDENTIFYING OPPORTUNITIES TO SUPPORT GROWTH AND EXPAND INTERNATIONAL TRADE

KNOWING OUR SECTORS
Sector Development Office, City of Toronto

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TORONTO

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EXECUTIVE SUMMARY

The goal of this survey was to provide stakeholders and the City of Toronto's (the City) Economic Development and Culture (EDC) division with a quantitative and qualitative analysis of the urban wood industry cluster in the Greater Toronto Area (GTA) and to understand how it can be better supported.

Key Findings

- Toronto has an emerging urban wood industry that currently employs will employ a minimum of 630 people by 2018
- Maintaining a Toronto-based sector may be a challenge in the future because of growing space shortages and rising cost of rent for business space. Other cities in the GTA may become more attractive options for these businesses to set-up operations if efforts are not undertaken to provide affordable and appropriate business spaces
- Urban wood is in high demand by the industry, and according to survey respondents, the City could do more to make it more readily available for producers
- Respondents viewed marketing and promotions as the most important area where the City can provide support, followed by market development. Advocacy, policy and regulatory support was considered less important
- The City could improve communication with the industry regarding key initiatives and events
- A gap in the urban wood supply chain has been identified by a number of businesses
- Most of the businesses would like to expand into international markets, but feel there are a number of barriers to overcome before attempting to do so

Survey Details

The survey was sent to 200 companies listed in the City's urban wood contact list, which was curated through informal outreach to the industry, and through a comprehensive internet search. The survey opened on Monday June 6th 2016 and closed on Friday June 17th, 2016. Twenty-one emails were unsuccessfully delivered (bounced back). Three email reminders were sent out, and 3 companies were called at random. A total of 27 complete surveys were received. Considering the number of undelivered emails and number of complete responses, there was a 15 percent response rate.

The content of the survey can be found in Appendix C. The survey consisted of 21 questions divided into five sub categories: *General Business Information*, *Wood Sector*, *Opportunities and Barriers*, *City of Toronto Support*, and *Strengthening the Local Urban Wood Industry*, which form the structure of this report.

Based on the survey population size (179), and the actual sample size (27), the confidence level and margin of error are as follows:

- **Confidence level: 90%**
- **Margin of Error: 15%**

Report Details

This report is organized into 5 sections (with some subsections). Recommendations for future surveys, the support that the City can provide, and the benefits of an industry alliance are found at the end of the report.

FIGURES

TABLES

MAPS

*The Figure captions correspond with survey questions, which are not necessarily matched in their numbering

1. INTRODUCTION

Urban wood is simply wood from urban forests. Trees are not generally harvested in urban areas for economic purposes. Rather urban wood comes from trees that die of old age, disease and/or pest infestation, or those that need to be removed for safety or development reasons. Traditionally, this wood has been considered a waste and disposal has been a cost to the homeowner or to the community; but this does not need to be the case. Local artisans, furniture makers, and designers alike are recognizing the value of these trees, as consumers are increasingly demanding more local and unique products.

Each year, on average, nearly 200,000 trees in the city of Toronto die of natural causes, are felled by storms, removed for safety reasons or killed by diseases and pests. Toronto's urban forest has about 10.2 million trees that provide canopy cover for almost 28% of the city. 4.1 million trees line Toronto's streets and are found within the city's many parks and natural areas and the remaining 6.1 million are situated on private property. Urban trees provide huge benefits to the city and the people who live and work here. Amongst their many benefits, Toronto's urban forest provides the equivalent of at least $28.2 million in ecological services each year including: storage of 1.1 million metric tonnes of carbon (or the equivalent of annual carbon emissions from 733,000 automobiles); reduction of energy consumption by shading buildings, providing evaporative cooling, and blocking winter winds; improvements to local air and water quality, intercepting over 1,900 metric tonnes of air pollutants annually (the equivalent value of $16.9 million annually); and mitigation of storm water runoff[i].

Periodically forests face massive die offs due to changing conditions. In the 1960s, Dutch elm disease killed off nearly 80% of Toronto's majestic elms. Since 2013, Toronto has faced a die off of ash trees due to the emerald ash borer. Nearly all of Toronto's 860,000 ash trees will die by 2018 due to this invasive pest. This surge of ash mortality has significantly increased the annual mortality rate of Toronto trees since 2013. This is not the first massive tree species die off – it will not be the last. What can be done with all these dead trees? The term 'windfall' now means an unexpected, unearned or sudden gain. However, the origins of its meaning, and one which the founders of York (eventually Toronto) were well aware of, referred to a tree that unexpectedly came down in a storm. For the founders of Toronto it represented a sudden economic gain – for Toronto's trees were once used to build our homes, shelter our animals, and store our grain. They built our civic founders' furniture, heated their homes and businesses, and provided one of our first export opportunities.

The wood industry still plays a major role in the economy of Toronto. Some of the city's largest firms use wood as the raw material for their products. Toronto is a North American hub for furniture and interior design and many of these designs are made from wood. There are opportunities for homeowners and businesses to again use Toronto's fallen trees as an economic resource. They need not be a financial burden for both individuals and the community. Using local urban wood, just as producing energy locally and growing food locally, will keep local dollars in the community and create new job opportunities in Toronto.

There is a growing number of businesses in the Toronto-area that are involved in the production or use of wood products. Many of these firms use Toronto's urban wood as an input. This represents an emerging industry in the city. A significant number of the firms are located within close proximity to other Urban Wood businesses, and possess cluster characteristics. A business cluster is a geographic concentration of interconnected businesses, suppliers, and associated institutions in a particular field. Clusters are considered to increase the productivity with which companies can compete, nationally and globally.

2. BUSINESS INFORMATION

Summary

Most of the businesses that responded to the survey are involved in the production of custom or commercial wood products (63%), and have been operating for an average of 9.2 years.

Overall, the sector's financial health is relatively strong, with 67% reporting neutral, strong, or very strong finances. One-third of respondents reported sales growth in excess of 10% annually for the period of 2013 to 2016. Employment in the sector has also shown growth, with the average number of full and part-time employees having grown by 6.2% and 10% annually, respectively, over the same period of time. Total employment grew by an average of 7.2%.

The most commonly cited growth area that businesses in the sector plan to leverage is diversification through new opportunities or new customers (74%). This was closely followed by introducing new or improved products/ services (67%), and developing a marketing strategy (52%).

Based on postal code information cataloged in the database and provided by the respondents, there is a wood cluster in Toronto's Wards 14 and 18, and a small cluster in Ward 30. Many of the businesses are located in old warehouse spaces, where they are constantly under threat from rent increases, zoning changes, and eviction due to new development.

Details

2.1 General Business Information

The urban wood industry is, by its very nature, a cluster, as all elements of the supply chain are in the community. Like other 'green" industries it is hard to quantify using traditional government industry coding such as NAICS, as the firms that make up the industry/cluster are in the industry due to the "green-ish" of their input or output (i.e. electric vs. gasoline powered vehicles; green buildings vs. normal buildings; urban wood vs. wood).

Current best practices to quantify the size of local green industries is done by surveying local industries that may have green attributes.

The EDC urban wood industry database is derived from firms who EDC identified through outreach and who self-identified as being part of the urban wood industry. EDC has broken the sector into 4 main categories: tree removal and processing (as raw wood): wood processing firms (sawmills, kilns); makers of wood products (custom and commercial); and bulk wood products (chippers, firewood, pellet making).

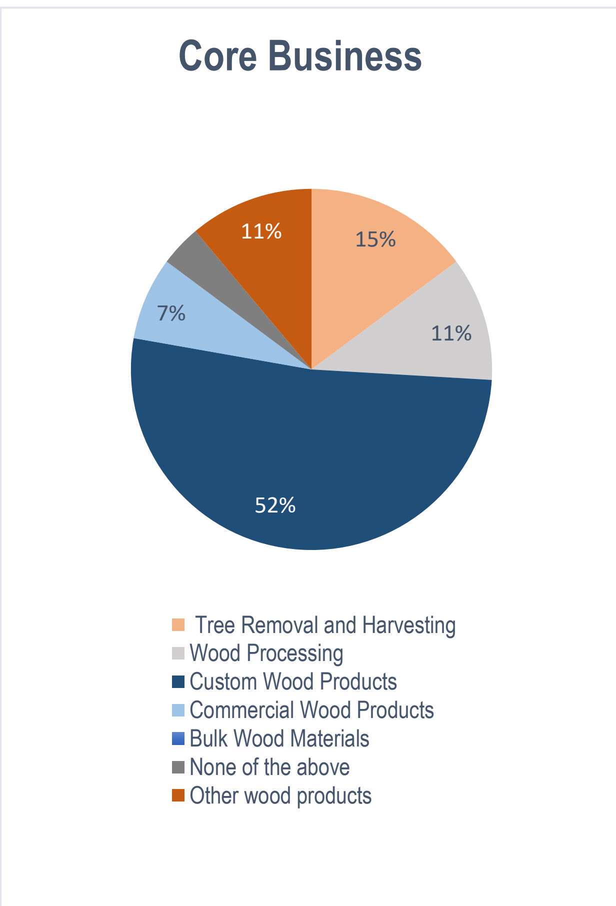


Figure 1: Q3. What do you consider to be your primary or core business?

The majority of survey respondents identified as a business that produces custom wood products (52%).

The business categories in *Figure 1* correspond approximately with a number of North American Industry Classification System (NAICS) codes, which are displayed in Appendix B.

The average age of businesses in the sector is 9.2 years (*Table 1*). While this number is slightly skewed by a couple outliers, the median and mean (7 and 5, respectively), suggest some maturity in this sector. As *Figure 2* shows, more than half of the businesses are over 5 years old. According to Industry Canada, of the 1.2 million small/ micro firms in Canada, 85% remain in businesses for 1 year, 70% for 2 years, and just 51% last for 5 years[ii]. Hence, the urban wood sector is comprised of a significant number of businesses that have overcome the challenges that plague young, small businesses. Further research and attention should be given to track the number of new businesses that are established on an annual basis.

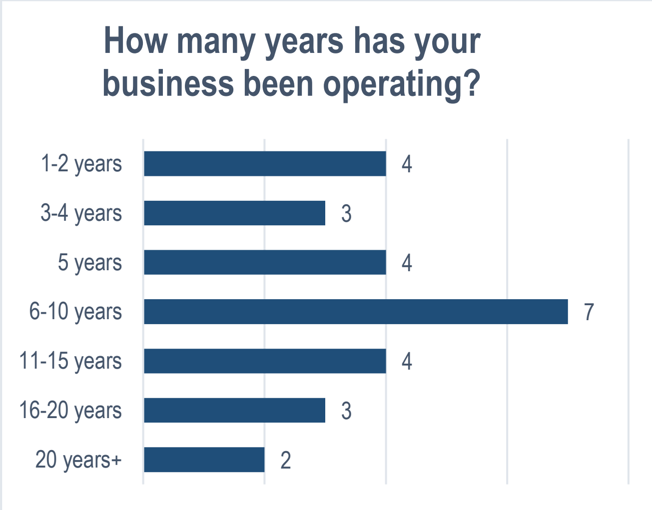


Figure 2: Q2. How many years has your business been operating?

Average	9.2
Median	7.0
Mode	5.0

Table 1: Q2. How many years has your business been operating?

9.2 YEARS

AVERAGE BUSINESS AGE

2.2 Business Location

Survey participants were asked to provide the first 3 characters of their postal code, which allowed us to determine an approximate location for each business.

The information provided from the survey as well as that in the Urban Wood database was mapped (see Map 1 and Map 2). The map of the survey participants showed a similar distribution as the map of the entire cluster, which increases confidence that the survey results may be representative of the entire cluster.

A total of 102 businesses were located within the City of Toronto boundaries, with 2.8 establishments per ward. These figures can be broken down by the 4 administrative districts:

District	Survey Respondents: Total Number	Industry: Total Number of Establishments	Industry: % of Total Toronto Wood Establishments
Etobicoke	6	27	26
North York	1	6	6
Scarborough	3	11	11
Toronto – East York	12	58	57
Greater Toronto Area	2	9	--

Map 2 shows two Toronto areas where local clustering is occurring:

1. **Sterling Road** (Lansdowne and Dundas) cluster has 20 firms (wards 14 and 18);
2. **Riverdale/Port Lands** (Queen & Don River) has a smaller cluster of 8 firms (wards 27 and 30)

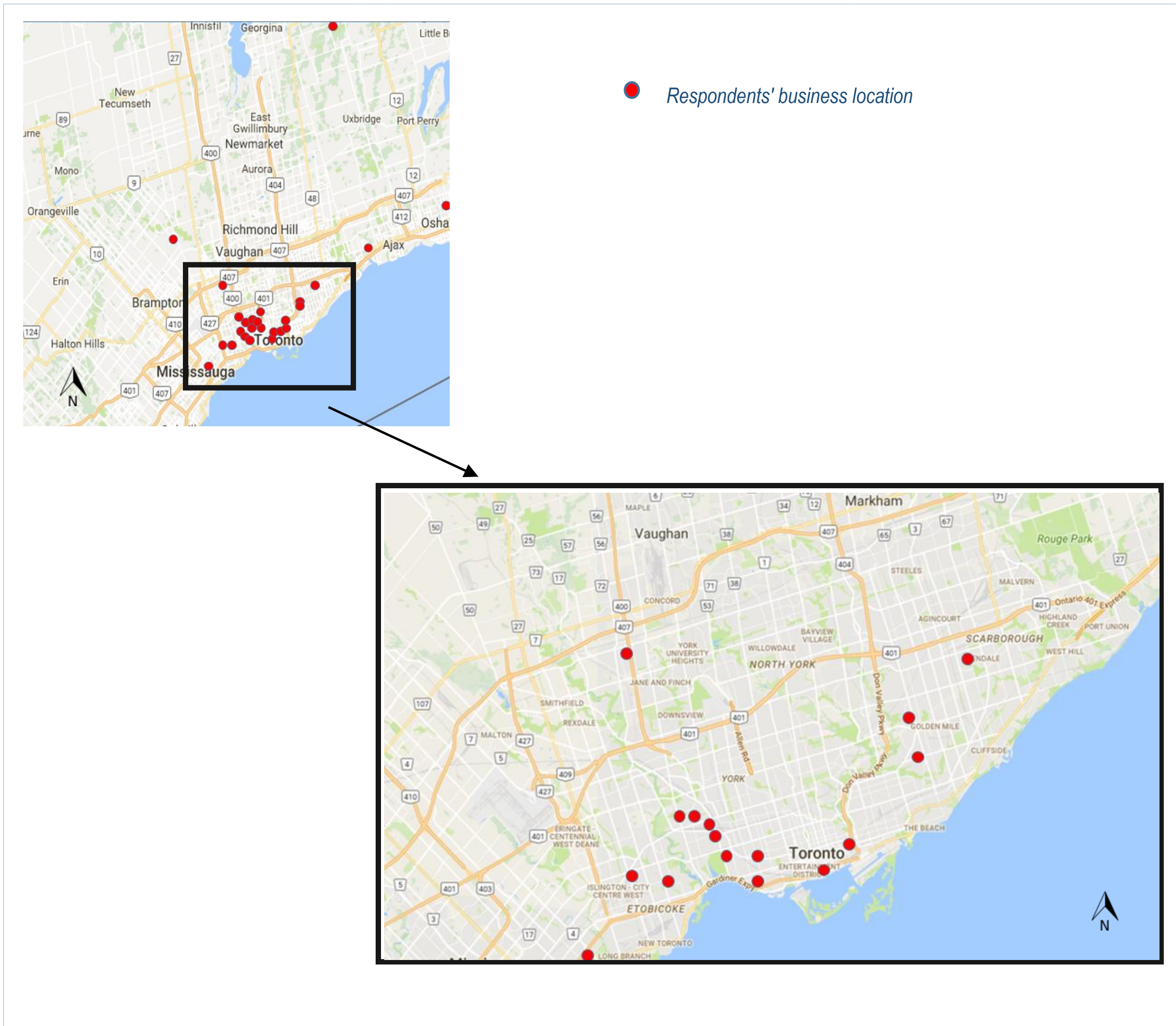
The Sterling Road cluster is significant as it holds approximately 10% of all firms in the sector. Most of the businesses in the Sterling Road cluster operate in old warehouse spaces. Many respondents indicated that these types of spaces are becoming difficult to hold on to with a trend of rising rents, zoning changes and new development.

Ward	Industry: Number of Establishments	Industry: % of Total Toronto Wood Establishments
18	16	15.5%
20	9	8.7%
30	8	7.7%
28	6	5.8%
11	6	5.8

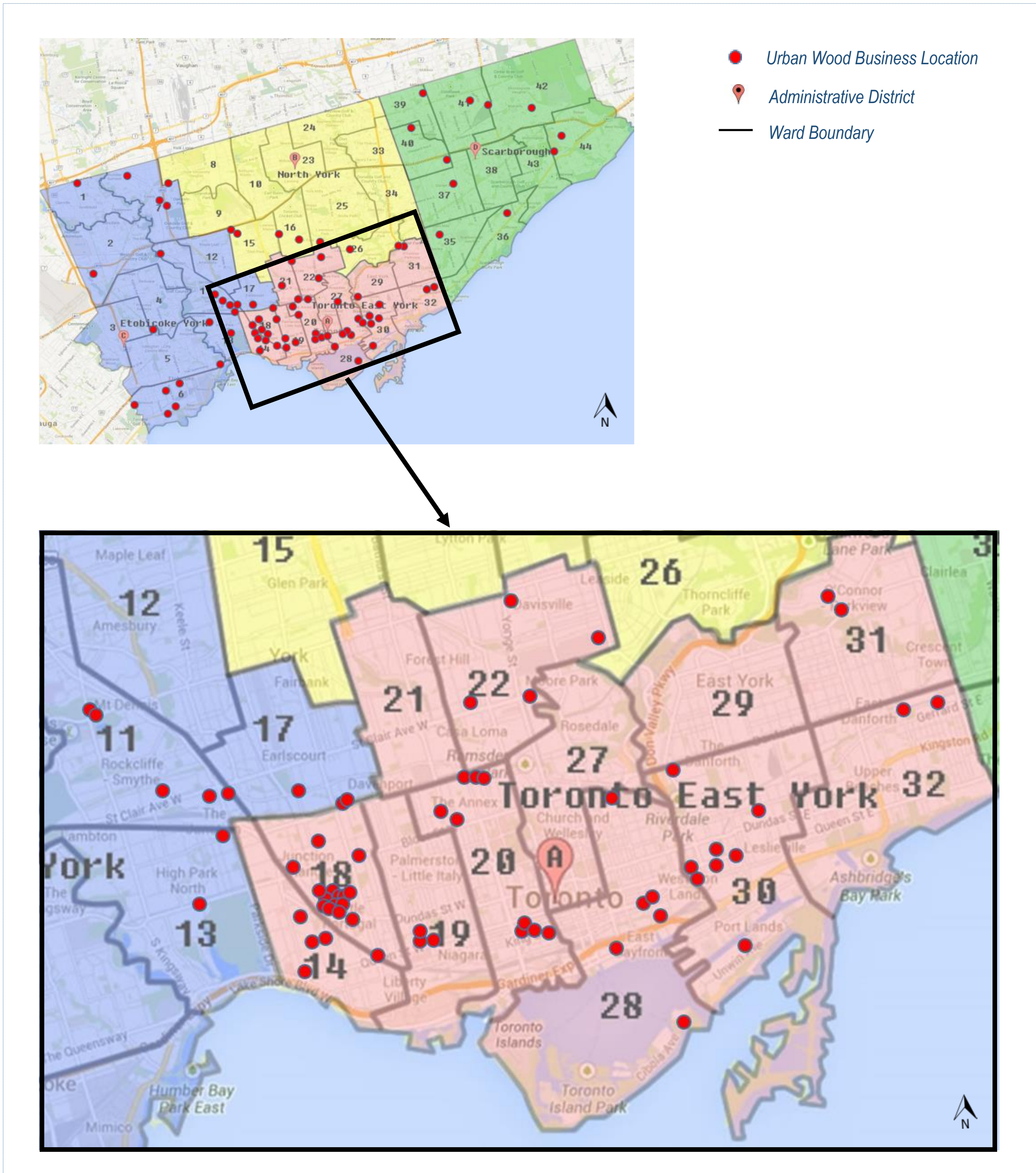
Table 2: Top Wards

"Help maintain light industrial space that is being lost to development"

"Woodshops are being kicked out, left and right"



Map 1: Locations of Survey Respondents by Postal Code (first three characters)



Map 2: Location of downtown Toronto-based organizations and businesses in the Urban Wood Database by Ward (Postal Code)

2.3 Employee Information

The urban wood sector is an industry of micro-business with the average firm employing 3.0 employees in 2016. However, it shows good employment growth with an average of 7.2% annual increase in employment between 2012 and 2016. It also is following national trends in that part time employment is growing faster (at 10% annual) than full time (at 6.2%). Looking to the future the industry is expecting that hiring needs will grow to an 11.3% average annual growth rate.

Respondents indicated plans to grow their workforce to an average of 5 employees per firm by the end of 2018. This is consistent with Toronto industry-wide averages, with most businesses employing 1-4 employees (56,198 businesses), or 5-9 employees (15,159). Based on these projections, by 2018 the industry will employ at least 630 people, adding an additional 300 jobs over the next 3 years.

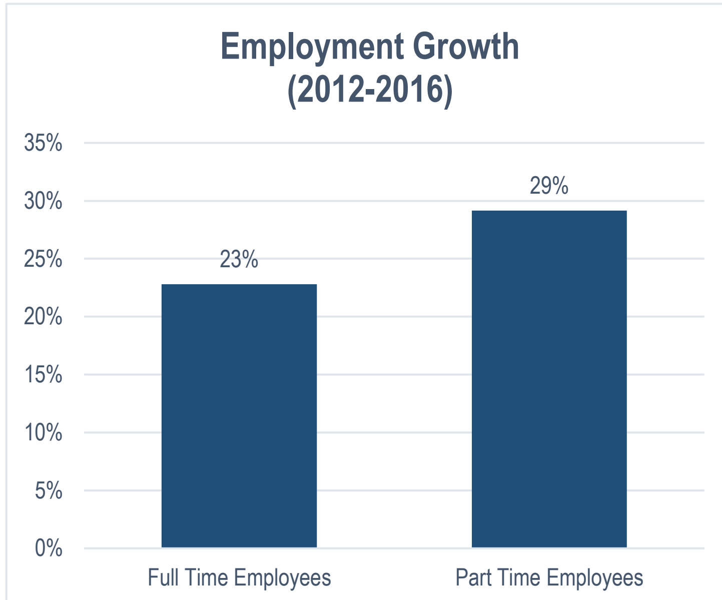


Figure 3: Derived from Q4: On average, how many employees does your business have?

This figure was calculated using a simple exponential growth equation:

$$\text{Growth } 2018 = a(1 + r)^x$$

$$\text{Decay } 2018 = a(1 - r)^x$$

Whereby,

a = the initial population size (102)
r = population growth and decay rate (11%, 4.9%)
x = the number of years (3)

Therefore, ***2018 Employment = (102*(1+(3/27)-(0.049))^3)* 5 = 611***

The percentage of industry growth (new businesses added annually) was calculated from the survey responses. However, the survey did not collect information on business deaths/ decay. This percentage was calculated using information from Innovation, Science and Economic Development Canada Small Business Branch's June 2016 report, *Key Small Business Statistics*[iii]. The report provided the birth and dead rates for related businesses at the provincial level.

Average Number of Employees by Year			
	2012	2016	2018
Average Number of Full Time Employees	1.6	2.1	N/A
Average Annual Growth	**6.2%**		
Average Number of Part Time Employees	0.6	0.9	N/A
Average Annual Growth	**10.0%**		
Total (past and expected)	2.2	3.0	4.7
Total Average Annual Growth	**7.2%**	**11.3%**	

Table 3: Q4. On average, how many people does your firm employ?

7.2%
ANNUAL
EMPLOYEE
GROWTH

3.0
EMPLOYEES
PER FIRM

2.4 Growth and Financial Information

For an industry that is mostly comprised of micro businesses it reports to be relatively financially healthy with a fairly equal distribution of firms reporting strong/very strong (29%); neutral (37%); or weak/very weak (33%) financial health. This may be because the majority of surveyed firms have been in business long enough to overcome the start-up challenges of the first few years.

Question 5 looked at the sales of the industry that just focused on wood products versus entire sales for the firm. This can help identify any trends (i.e. are they focusing more). In both cases (just wood and all products) firms are optimistic that their sales will grow faster in the future than in the past and while wood sales may lag slightly behind overall sales it is not a significant trend.

The urban wood industry's health can be compared to Industry Canada's Small Business Information for firms with revenue between $30,000 and $5,000,000 annually). Information is provided on firm profitability, which is categorized by NAICS codes. While the survey collected self-reported financial health information, we can make an assumption that those firms that reported weak or very weak financial health may fall into Industry Canada's "not-profitable" category.

The firm non-profitability average for small businesses categorized as NAICS 337123, 33711, 337213, 1153 is 22.25%. The number of non-profitable urban wood businesses is slightly higher, at 33%[iv].

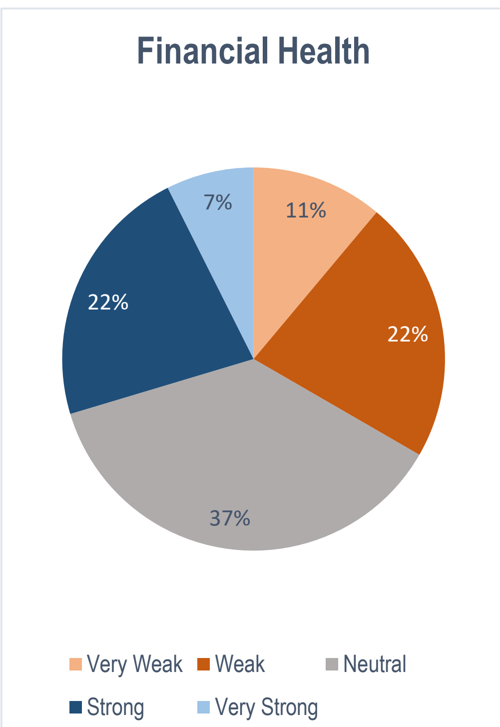


Figure 4: Q6 How would you describe your business profit margins/financial health

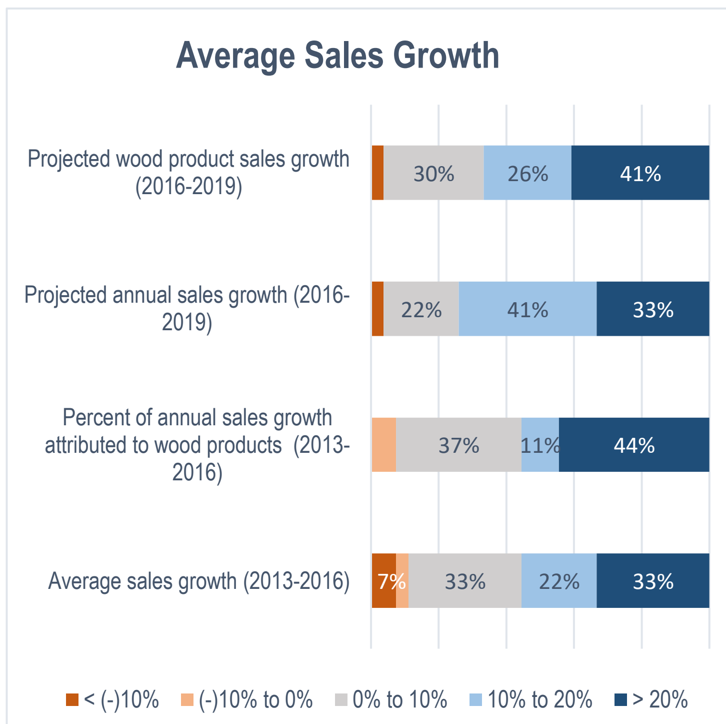


Figure 5: Q5 Please provide an estimate of your average sales growth (approximate)

Question Challenge: *Respondents were asked to provide information regarding the number of employees per firm for 2012 to 2016, and projects for 2018. The question asking about average growth sales, however, did not specify years, but rather asked for the growth for the last three years and projected growth for the next three years. For this question we assume that respondents considered the last three years (i.e. 2013 to 2016) and the next three years (2016 to 2019), rather than follow the year model laid out in the previous question regarding employees.*

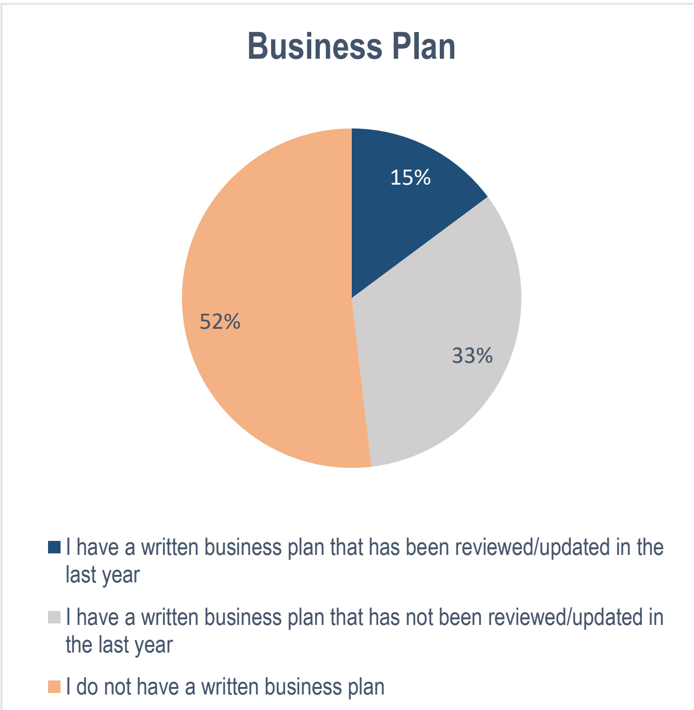


Figure 6: Q8 Do you have a written business plan?

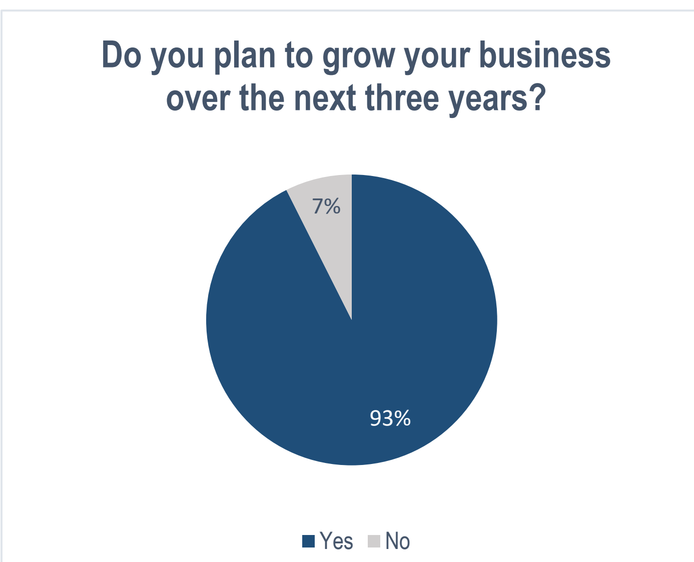


Figure 7: Q9 Do you plan to grow your business over the next 3 years?

While growth appeared to be a priority for most of the respondents (93%), the majority (52%) do not have a written business plan. It is not surprising that few of the businesses have a written and current business plan since many of the companies are micro firms (9 employees or less). These types of enterprises (across all industries) do not typically have formal business plans.

Respondents identified diversification/ new opportunities and customers, introduction of new products/ services, and developing a marketing strategy as the key channels to achieve growth.

Q8 was also analysed based on the age of the firm. Only 2 of the 5 oldest firms (25 and 26 years) claimed to have a busness plan. The remaining 3 reported having no business plan. While the youngest 5 firms (1-3 years) all claimed to have business plans that were not up-to-date, demonstrating a surprising inverse relationship between firm age and likelihood of having a business plan.

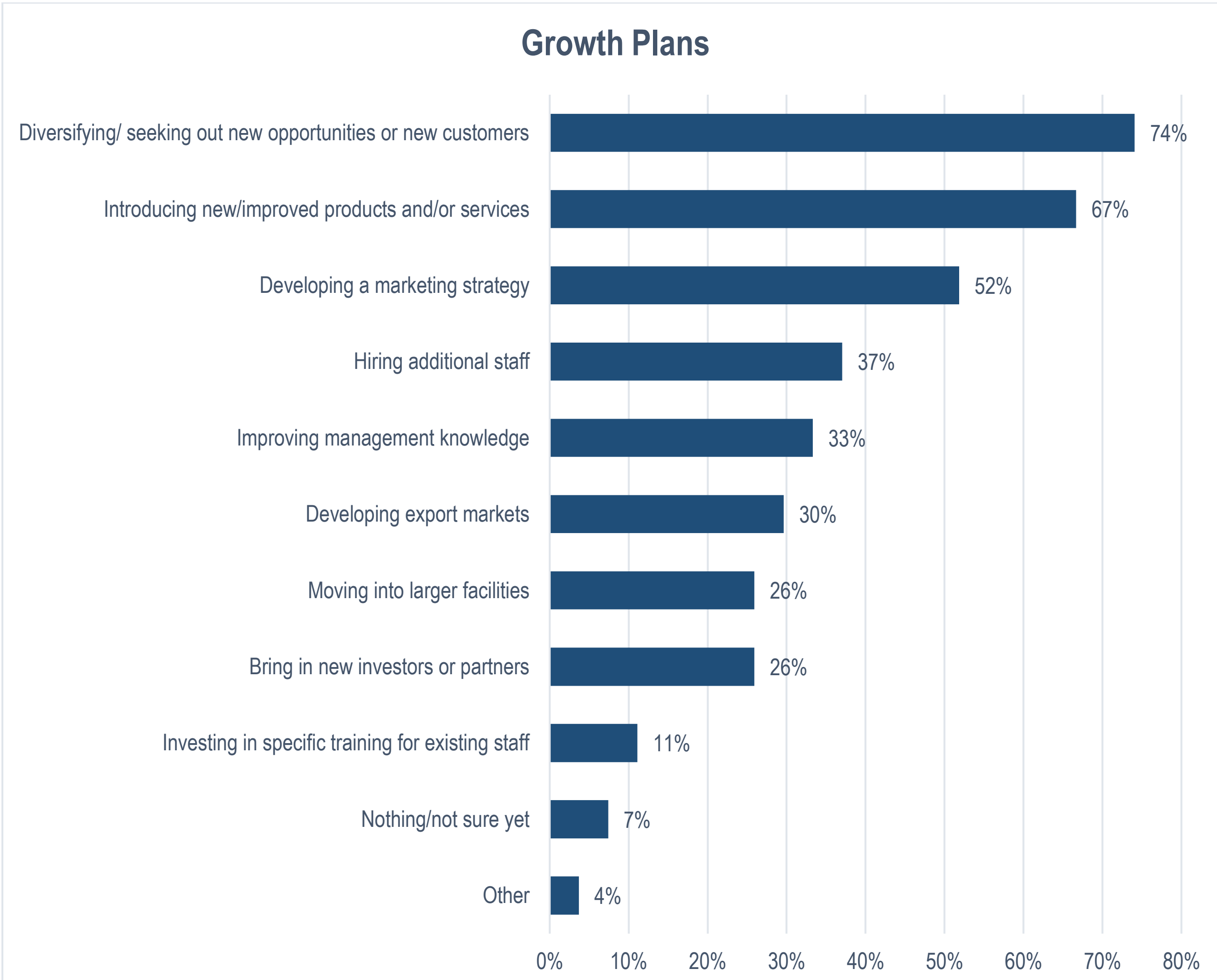


Figure 8: Q9. What actions are you taking/ planning to take over the next 3 years to grow your business?



Growth plans, examined:

Export (30% of respondents)

The majority of firms that have plans to support business growth via exports:

> Are custom wood producers
> Have neutral financial health (average rank of 3 (out of 5))
> 50% use 80% or more urban wood

Hiring additional staff (37% of respondents)

The average number of employees among this group is 4.6 per firm (survey average was 3.0)

Moving into larger facilities (26% of respondents)

More than half of these respondents have Toronto postal codes

Diversifying/ seeking out new opportunities/ customers (74% of respondents)

Almost all of these respondents also reported interest in exploring international markets

Around 30% of these firms currently export

Developing a marketing strategy (52% of respondents)

More than half of respondents plan to develop a marketing strategy to support growth. There is no strong correlation between those with this intention and whether or not they already have a business plan

3. THE WOOD SECTOR

Summary

The vast majority of businesses in the sector reported to work with local wood. Urban wood alone accounts for 72% of the wood used by the industry. This is followed by Ontario lumber (25%) and salvaged wood (12%). Access to urban wood was reported as an issue by about one-quarter of the sector, while 42% felt it was neither easy nor difficult to access.

Details

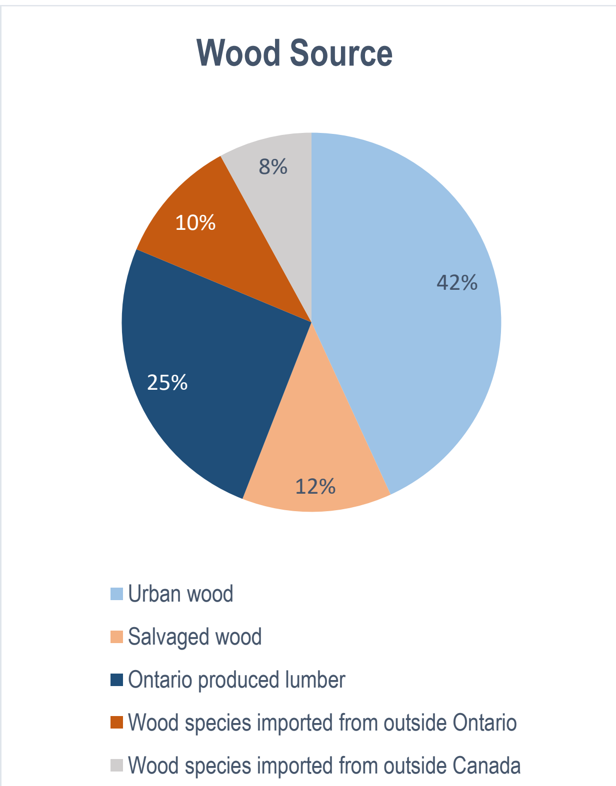


Figure 9: Q7A If you use or produce wood products, what percent of the following types of wood do you use/produce?

Question 7A was structured such that respondents were provided with 5 wood source options. Respondents had to determine what percent of their wood came from each source listed.

As to be expected, the majority of firms in the Urban Wood database use local urban wood.

We assume that urban and salvaged wood originates in Toronto or the GTA. It should be noted that urban wood was not specified to mean Toronto wood, and Ontario produced lumber was not specfied to exclude Toronto wood.

Urban wood was the most significant source of wood for the respodents (42%), while wood species imported from outside Canada was the least significant (8%).

- 22% of respondents indicated that 100% of their wood was urban
- 40% of respondents indicated that 80% or more of their wood was urban
- 40% of respondents indicated that 20% or less of their wood came from urban sources.

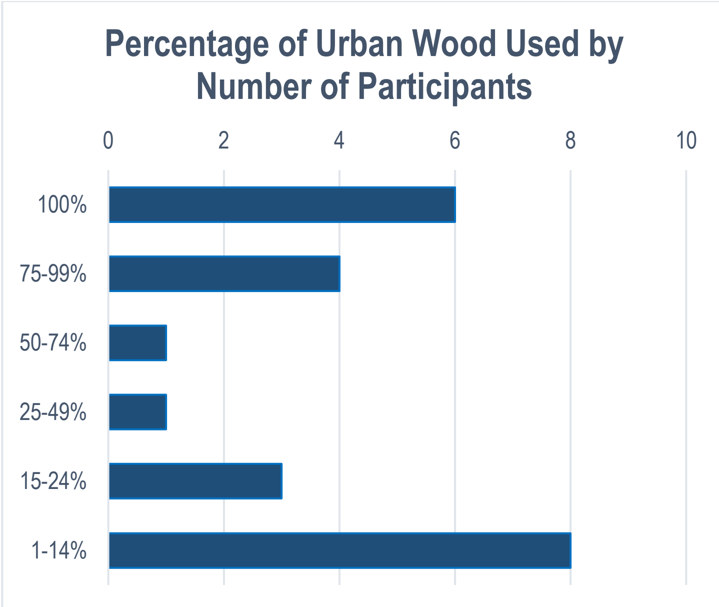


Figure 10: Q7 What type of wood do you use (urban only)?

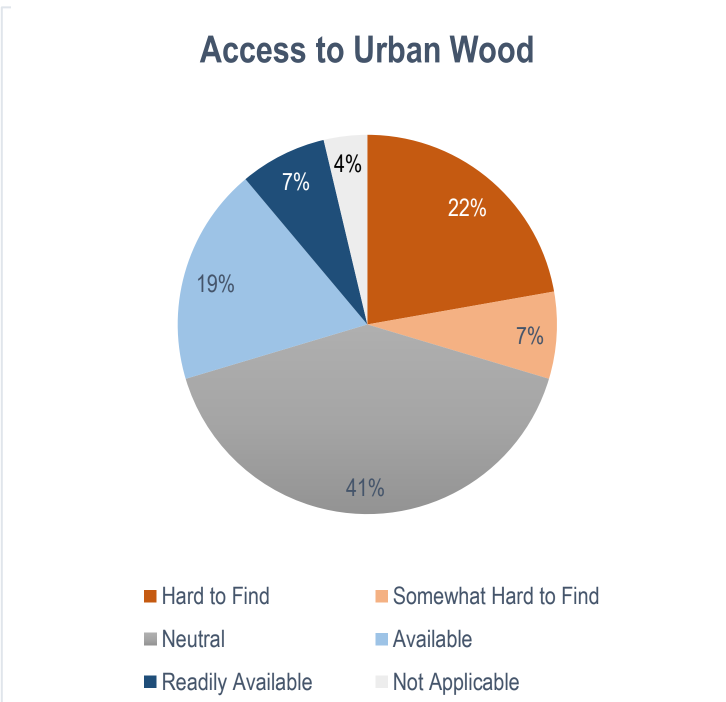


Figure 11: Q11 Do you have ready access to urban wood?

Respondents' opinions regarding access to urban wood were evenly split between those who believed it is available and those who believed it is difficult to find. This represent an opportunity to provide further information to the businesses about how/where urban wood can be accessed.

22% claimed it was difficult to find

- 33% of this group's wood is from an urban source

25% claimed it available/readily available

- 32% of this group's wood is from an urban source

7% claimed it was readily available

- 80% of this group's wood is from an urban source

Questions 7 and 11 were open to all survey respondents to reply to, which presented challenges in the analysis -- some respondents provide tree care, while others produce goods made from wood. These questions were more suited to the firms engaged in the production of wood products

4. OPPORTUNITIES & CHALLENGES

Summary

The Urban Wood industry is facing a number of internal and external opportunities and challenges. Eleven unique barriers to growth were rated as important or very important by more than 50% of the firms surveyed. Additionally, there is overwhelming interest in exploring international markets, which represents a large opportunity for the industry. A significant number of respondents (16) felt that they already have goods and services in quantities available to export. The biggest barrier to exporting is the cost (56%), followed by a lack of management time to pursue international opportunities (52%), and the size of business (too small) (52%).

Details

4.1 Barriers to Growth

There are a number of barriers to growth that were considered important by the industry. Below are the top barriers identified by respondents:

1. **Current state of the economy (74%)**
2. **Cost of business space; Government taxation (67%)**
3. **Labour costs (66%)**
4. **Availability of business space; Cash flow; Lack of market awareness of products (63%)**
5. **Availability of government incentives to stimulate the market; Competition in market (60%)**

The most important direct business barriers to growth were related to space – both the cost of (65%) and the availability of (at 63%).

The barriers related to business space are noteworthy since several respondents expressed frustration about both the cost and the availability of space. A few noted that zoning/ zoning changes was a constant interference to their business, as they have been forced out of past workspaces.

While the City cannot directly influence many of the top barriers (i.e. state of economy, taxes, labour costs) there are a number of opportunities that the City or the creation of an industry alliance can address. These are outlined in detail in section 5.

Interestingly, government taxation (at all levels), and a lack of government incentives to stimulate the market were both identified as barriers by at least 60% of respondents. The strong feelings regarding both of these barriers indicates a potential opportunity for the City. While the City cannot stimulate the market per se, it can play an advocacy role, support marketing initiatives, and support an urban wood alliance, amongst other things. This also relates to barrier #4, a lack of market awareness about products, which is a low hanging fruit for the City, in terms of industry support. Furthermore, a City-supported industry alliance could potentially address barrier #5, competition in the market, as an alliance has the potential to support members in several areas including finance, marketing, and education.

"To engage clients and supporters in the making process, spaces must be accessible and integrated into the urban fabric"

"There needs to be more protection for small business owners with regards to commercial leases"

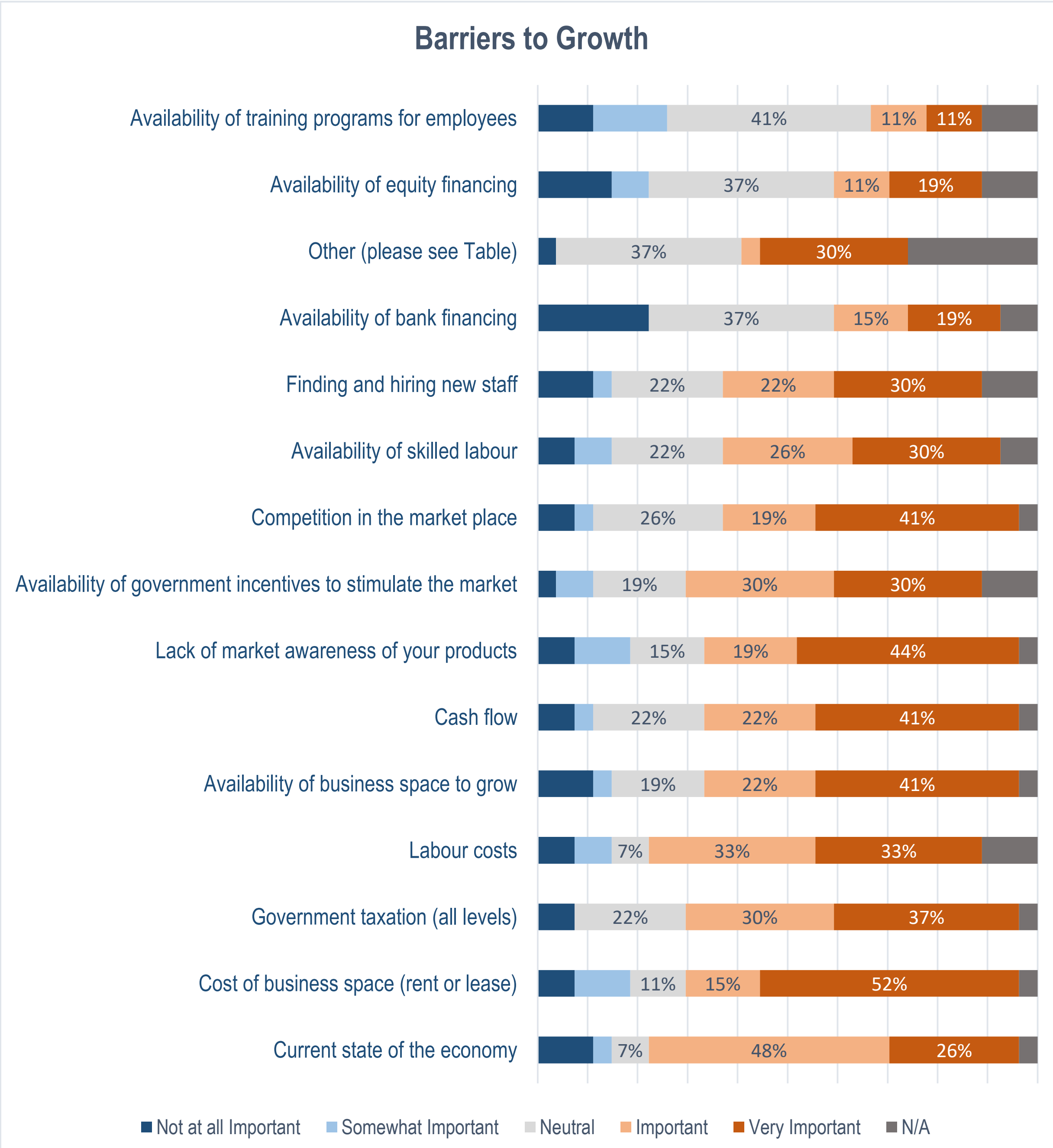


Figure 12: Q10 Please rank each barrier to growth

Comments from survey participants- Barriers

- Having the time to organize the business as it moves though and grows to different levels of organization
- Lack of professional regulatory body
- Lack of local manufacturing
- The global versus local economy: this is of critical importance to the all those working in the local wood economies, but of much less important to the general public, who can purchase very poor quality imported furniture at a fraction of the cost. Overseas labour costs are astronomically different, and there is no way to compete with those low wages, other than being a homeless woodworker
- Cost effective manufacturing partners
- Lack of recycled wood - 80% of business depends on recycled wood from the City of Toronto parks and forestry wood recycle depot on Unwin. The City has closed this resource to our business. I no longer have a source of wood for turning bowls
- Commercial space is hard to find for a small business. I got kicked out of four spaces for not being zoned commercial
- Lack of access to the City of Toronto's wood diversion lots to retrieve wood. We have lost a great deal of money picking out good saw logs and then go back to get them and they are being tub ground. We are given little or no notice
- One of the most significant barriers in my practice is the lack of understanding between small batch, handmade and mass produced furniture
- Lack of public knowledge of the alternative that my business presents to disposing of all urban culled trees
- My age
- Availability of Ash harvested from the City of Toronto

Table 4: Q10. Other barriers

Barrier themes:

- Need to find local partners to scale-up operations
- Wood availability
- Affordable and appropriate business space

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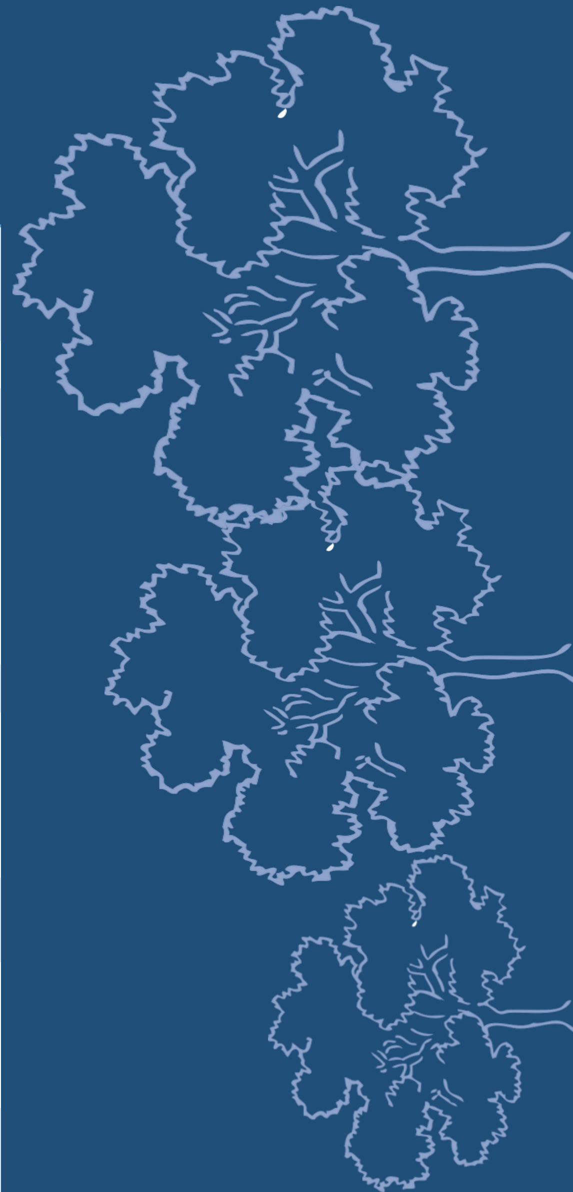


"Cost effective manufacturing partners"

Urban Forestry Response to comments from survey participants

Urban Forestry stopped allowing open access to its Unwin Wood compound out of concerns for the health and safety of those members of the public assessing the wood and the associated liability to the City. The City now has a formal bid process to sell the wood.

b) The preference of the City is to sell as much of its wood by-product as possible. Where wood accumulates to the point where it has an adverse impact on the operation of that wood compound, arrangements are made for the wood to be ground. Advance notice of grinding is provided to the current wood purchasing vendor.

4.2 Interest in International Trade

More than 25% of the firms surveyed currently export and 60% indicated that they are interested in exporting. The percentage of businesses currently exporting exceeds the national small business average of 11.5%. These are very high numbers for the size (micro) of firms that are in this industry and may represent a good opportunity to expand sales and bring in added value to the Toronto economy. While 25% of firms are already exporting, 52% of firms feel that they are too small to export. The average size of the firms (25%) that already export is 1.4 employees; while the firms that reported that they are too small to export have an average of 3.3 employees. This is interesting since this latter figure is slightly above the average firm size, which is 3.0 employees. Thus this may be a perceptional issue as according to the Business Development Bank [rob to find quote on website] "……"

- 59% of respondents claimed to have goods/services that could be exported in significant quantities. This figure includes those who stated that they already export. So, in addition to those who already do export, 30% of respondents have good/services that could be exported
- 55% of respondents cited cost as a main barrier to exporting. 66% of those respondents had reported their financial health as neutral, 20% as weak, and 13% as very weak. Interestingly, only 13% of these respondents indicated that cash flow was a major barrier to growth (Q6)
- It would be useful to understand whether business size as a barrier to exporting is more related to the number of employees (which could have an impact on the amount of time available for management to pursue opportunities), or ability to scale-up (which may relate to number of employees, availability of space, cash flow, etcetera)
- Of the 55% of respondents who cited cost as a main barrier to exporting, 37% reported their financial health as neutral, 3 as weak, and 2 as very weak. Interestingly, only 2 of the 15 respondents indicated that cash flow was a major barrier to growth (Q6)

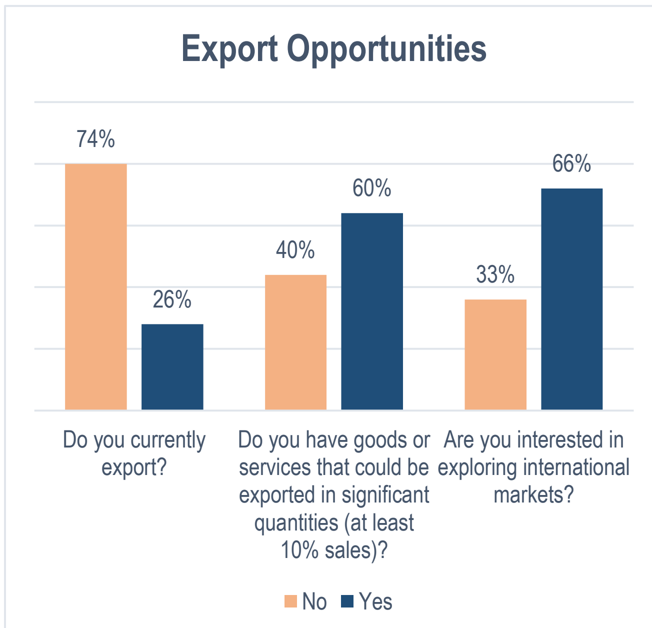
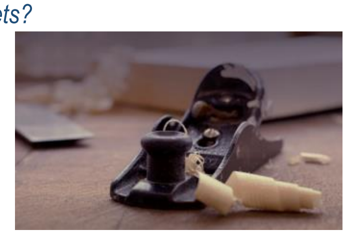


Figure 13: Q12. Do you currently export? Do you have goods/ services that could be exported? Are you interested in exploring international markets?



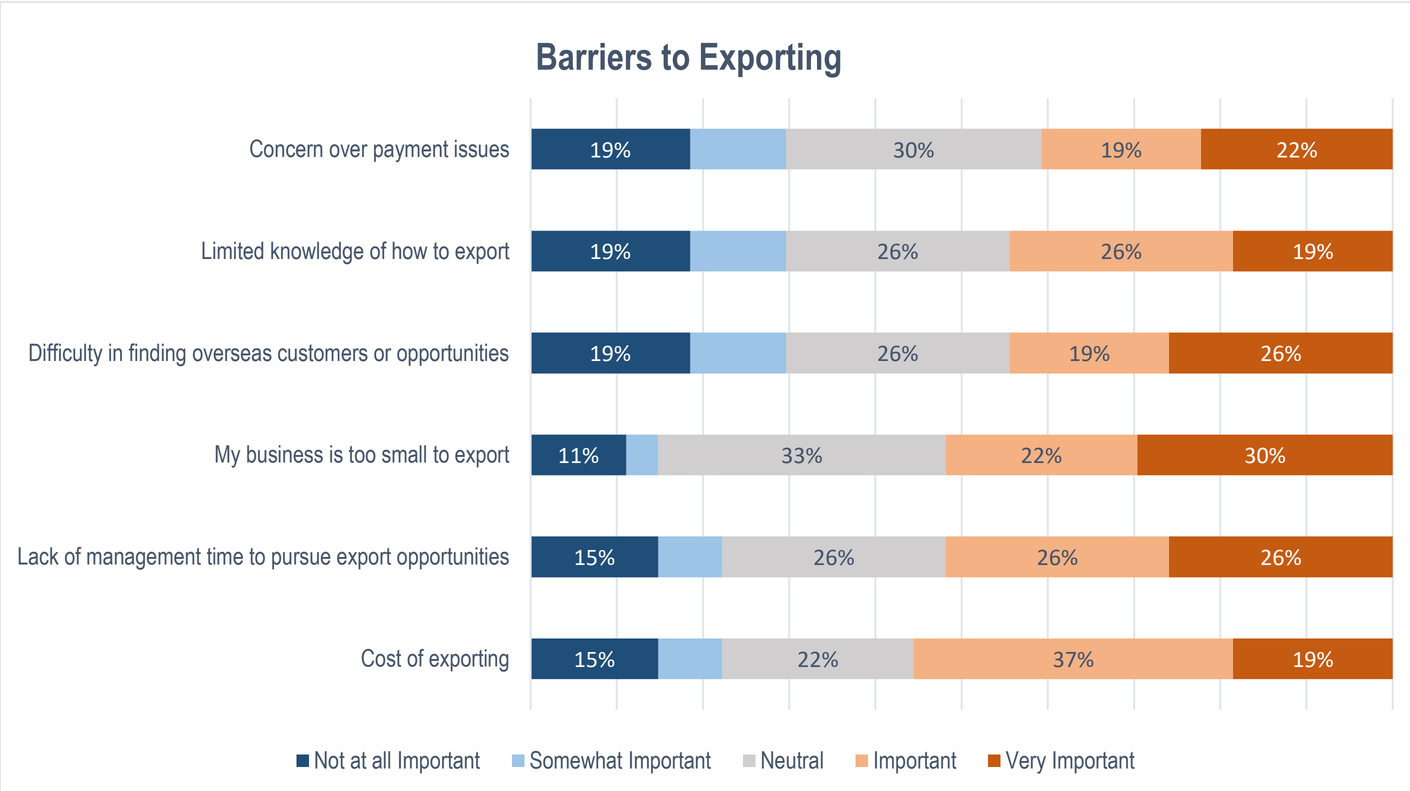


Figure 14: Q13. What are the barriers to developing or expanding export markets?

11.5%
OF SMALL FIRMS IN CANADA
EXPORT[iv]

26%
OF URBAN WOOD FIRMS ALREADY
EXPORT

5. CITY SUPPORT

Summary

EDC has and will continue to play an important role in supporting the Urban Wood Industry grow and prosper. Currently, the City is providing support to the industry through a number of initiatives outlined below. Identifying a cluster(s) and supporting an Urban Wood Alliance are two additional ways that the City may engage with.

City Initiatives:

- **Connecting industry to new customers and markets through event and exposition support (eg. IIDEX Woodshop)**
- **Developing sector through creation of a strategic growth plan (eg. Urban Wood Roadmap)**
- **Supplying City-owned wood to community and industry development projects (like IIDEX Woodshop)**
- **Championing and promoting industry to external audiences**
- **Developing industry supply chain and cluster strategy**
- **Promoting industry through high profile projects (eg. Maple Leaf Forever Tree)**

Marketing and Promotion was identified as the most important area for City support (67%). This was followed by Market Identification and Development (56%).

Details

Most respondents had neutral feelings with regards to the support they have received from the City, across all areas (see *Figures 15 & 16*). Marketing and Promotion and Advocacy, Policy and Regulatory Support were two areas where respondents felt the most unsatisfied with City support. At the same time, respondents also felt the most satisfied with the City in these areas.

The high percentage of "neutral" responses may be because there is a lack of knowledge of the current support from the City available to the industry. This might stem from a communication issue/shortfall, which has also been identified in Section 5 of this report.

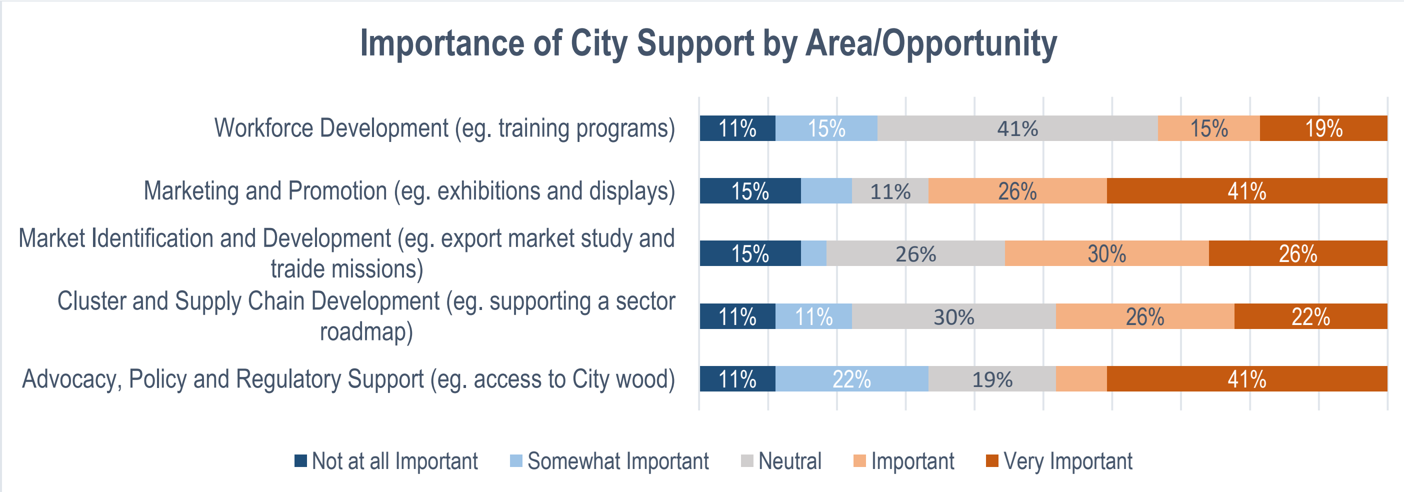


Figure 15: Q15 How important is each of the following areas of support that the City can provide?

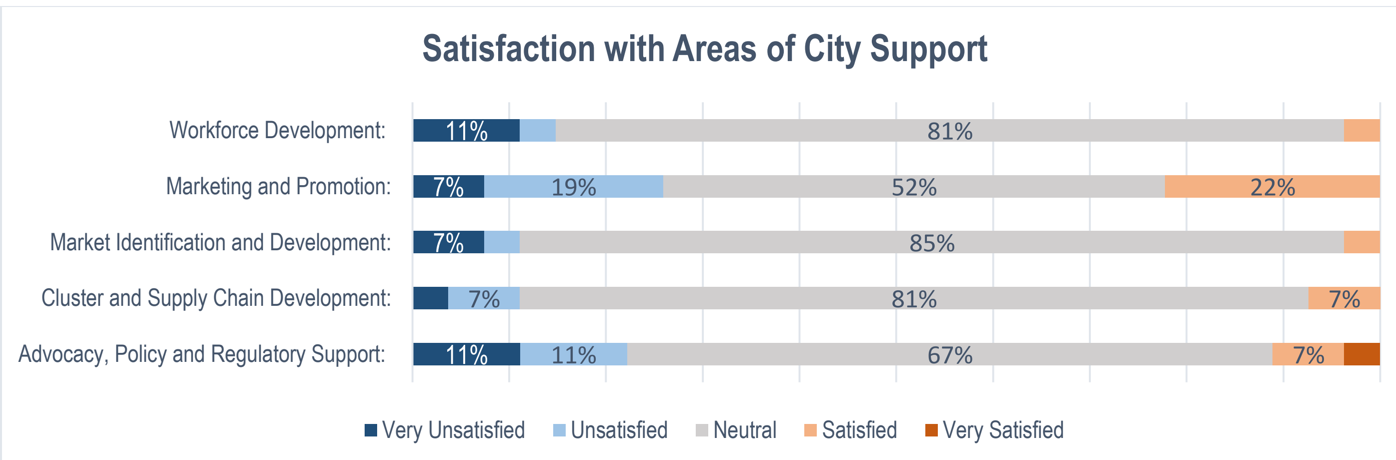


Figure 16: Q16 How satisfied are you with the City's support in the following areas?

Perceptual maps (sometimes called positioning maps) represent respondent perceptions spatially through a visual display. This perceptual map displays respondents' opinions regarding the importance of each component of City support, and their satisfaction with what has been done by the City in these areas. Each point represents respondents' perception of the two dimensions (importance and satisfaction), which together tells a story of how current City support is or is not meeting expectations of the respondents, based on what they believe is important.

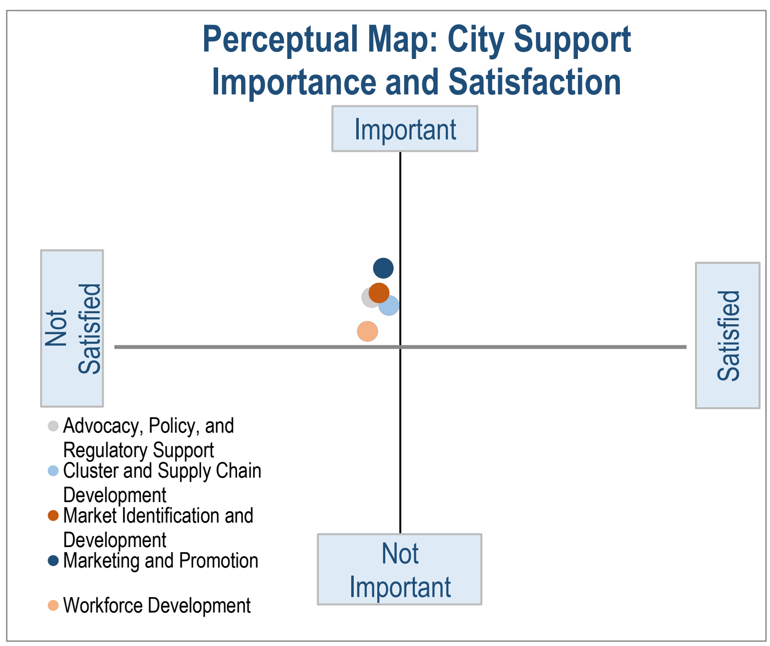


Figure 17: Q15 & 16: How important/ how satisfied are you with areas of City support?

6. STRENGTHENING THE URBAN WOOD INDUSTRY

Summary

Communication between the City and the industry appears to be a weakness, as only 37% of businesses indicated that they were aware of the Urban Wood Roadmap (the Roadmap), which was developed in 2013 as a path forward to grow the sector. The Roadmap was a shared initiative between EDC and a local non-governmental organization, Local Enhancement and Appreciation of Forests (LEAF). It contains 4 priority areas: *Marketing Strategy for Urban Wood, High Volume Industry Strategy, Neighbourhood Pilot Project, Urban Wood Industry and Networking Development.* A marketing strategy for urban wood and the neighbourhood pilot project were viewed as the most important priority areas (80%). The Urban Wood Industry and networking development were viewed as the most successful of the priority areas to-date, while the high volume industry strategy was noted to be the least successful.

Details

6.1 The Urban Wood Roadmap

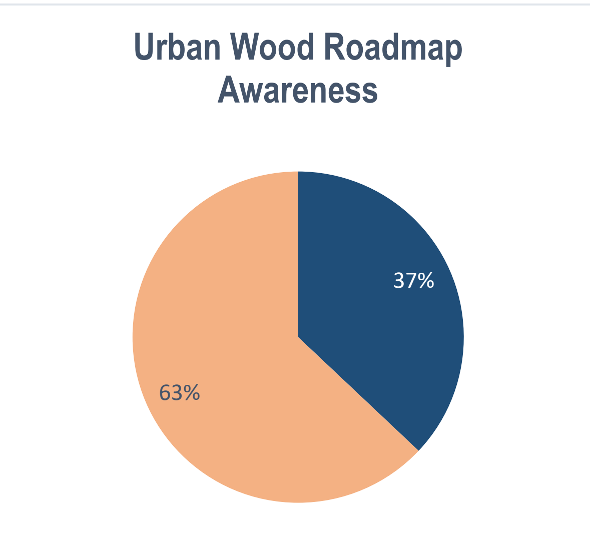


Figure 18: Q17 Are you aware of the Urban Wood Roadmap?

Respondents were asked whether they were aware of the City's Urban Wood Roadmap. Those who indicated they were aware were then prompted to answer specific questions regarding the Roadmap. 37% of respondents claimed they were aware of the Roadmap, and thus 37% provided responses regarding the Roadmap priority areas.

The remaining 63% of respondents were unaware of the City's Urban Wood Roadmap. This is significant, and sheds light on the need for improved communication between the City, its partners, and the industry.

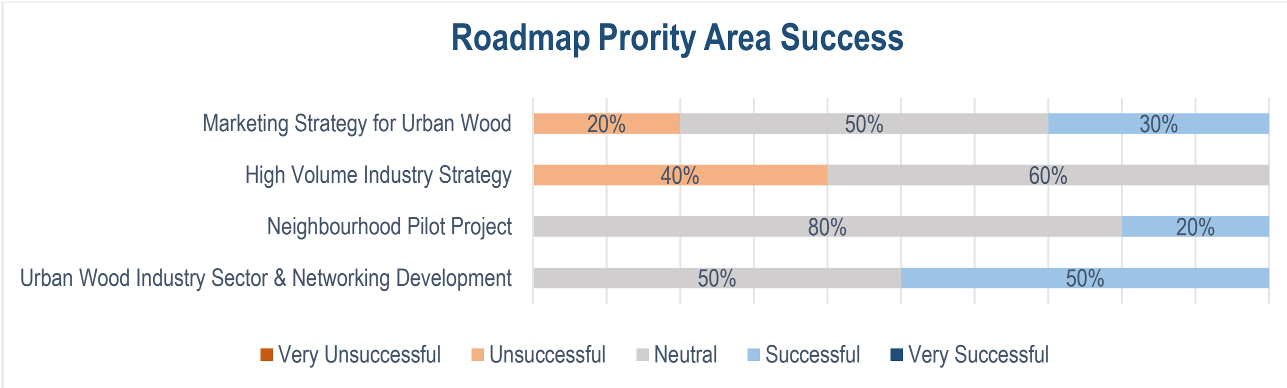


Figure 19: Q17a. Rank how successful the city has been in these four areas in terms of support

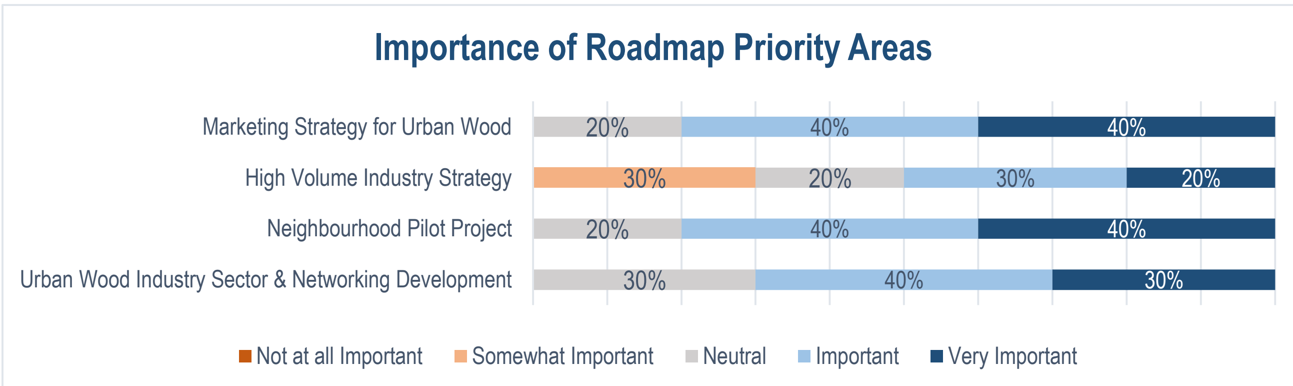


Figure 20: Q18 How important are the 4 priorities for the growth of your business or sector

Respondents generally felt that all Roadmap priority areas are important. A high volume industry strategy was considered the least important, but was still ranked as important/ very important by 50% of the respondents. .

Given that there were only 10 respondents who were aware of the Roadmap, it is not surprising that they felt so strongly about the importance of each of the priority areas. Since so few of the respondents were aware of the roadmap, it is likely that those who did had greater interest in it.

Perhaps the respondents who indicated that they were unaware of the Roadmap could have been asked to rank the roadmap priories. This would allow for a comparison across both groups, and would provide insight to whether or not the Roadmap priorities are aligned with that of the sector.

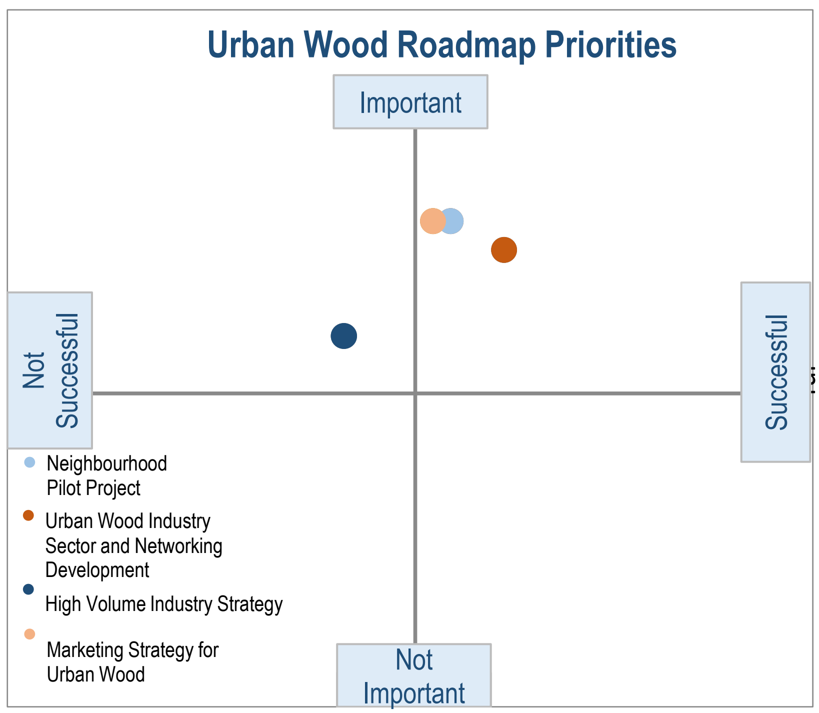


Figure 21: Perceptual map of: Q17. & 18. How important are the 4 priority areas; how satisfied are you the City support in these areas

Other areas City should provide support with (cited by respondents)
• A lack of local (and province-wide) manufacturing of flooring means there is no opportunity to effectively use urban wood. The only manufacturers making flooring in Ontario are making very low price point products, or solid wood flooring - a category that is not appropriate for Toronto's housing market. Support for quality, engineered wood manufacturers would open up opportunities to make use of the urban wood available.
• Sources for urban wood (downed trees)
• City should set mandates to buy back the wood from the urban companies
• Maybe workshop rent control or something Woodshops are being kicked out left and right
• Tell us where and how to access urban trees removed and looking to be disposed of
• Support Local designers with carefully curated and professional shows in other markets
• To maintain light industrial space that is being lost to development. Artist live work spaces are not suitable or affordable for light manufacturing. To engage clients and supporters in the making process, spaces must be accessible and integrated into the urban fabric. There also need to be more protections for small business owners with regards to commercial leases. Many businesses fold when they receive 2 months' notice and they can't react or relocate quickly enough or desperate, they find themselves in unsuitable or overly expensive spaces.
• Have available access to funding for small green businesses
• Too much unqualified competition
• Try to help create a market place for artisans to sell live edge furniture
• Access to wood recourses on a smaller scale.
• By following through with initiatives by assisting in the marketing of products that have been developed through them i.e. the Maple Leaf Forever Tree call for designs/auction. Still have a beautiful bench that was made from this historical tree that has been in a storage locker for over one year.
• Offering jobs/ contracts to mill wood. Offering wood to be bought. Buying wood for city projects
• Deterring the wholesale disposal of all culled trees to the landfill. Arborists make a profit on disposal after trees are cut down. The individual homeowner or business never realizes the potential for lumber from urban tree sources. They are not offered any options to the disposal of downed trees.
• Rent control for small businesses

Table 5: Q19. Are there other areas that are important for the City to support in order to grow the local industry?

6.2 Next Steps

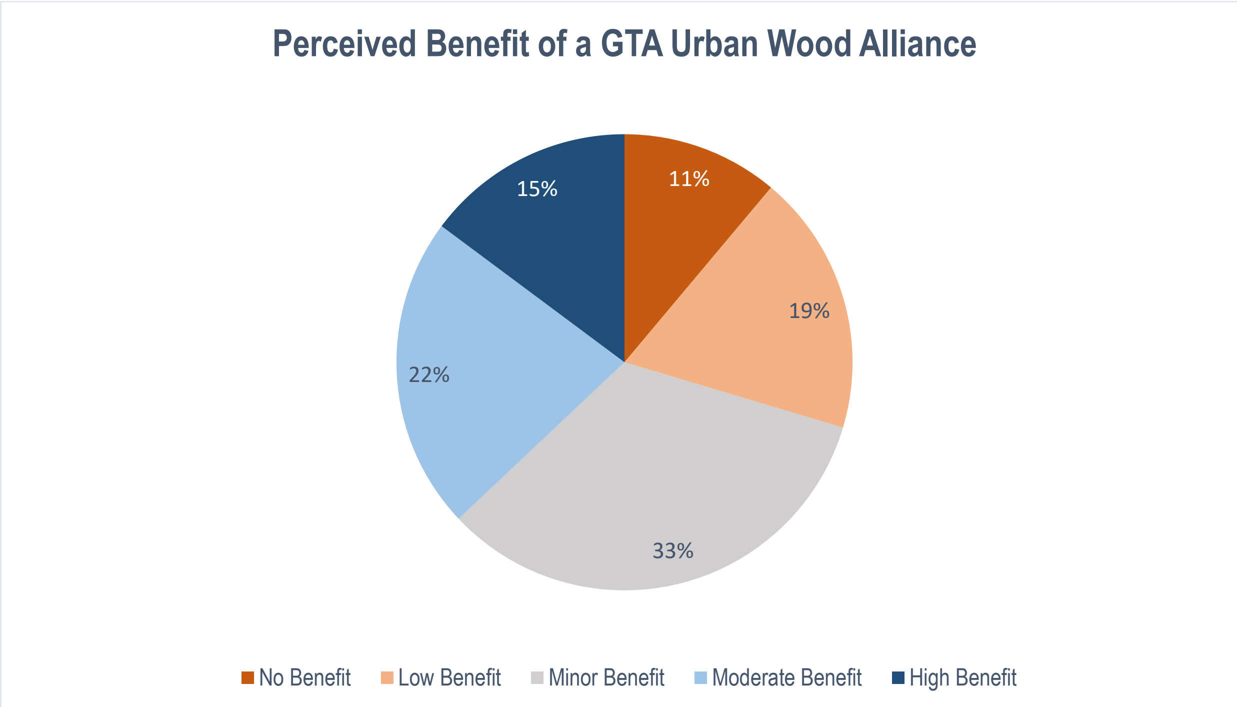


Figure 21: Q20. Would the formation of a strategic alliance of local businesses in the urban wood sector in the GTA be of value or benefit to your company?

- 37% of respondents believed that a GTA Urban Wood Alliance would have some benefit to themselves or the industry. 30% did not believe such an alliance will yield benefit.
- 55% provided their email to be included discussions to organize a local alliance.

6.3 How the City of Toronto & EDC can support

Business growth support

- With support from other governments, the City can organize workshops and training related to themes including export strategy development, how to export, and how to get the most out of international trade expositions.
- The City can help identify international markets for the local industry cluster, and provide connection to relevant international contacts, especially the City's "partnership" and "friendship" cities.

Market awareness

- While the City cannot directly develop the "brand" for the cluster, it can support efforts of an Industry Alliance to develop both branding awareness and marketing initiatives. Currently the City is limited in what it can do because of the lack of an industry organization

Connecting to external markets

- The City can work with partners and other government levels to provide opportunities to attend trade fairs and expositions abroad

Knowledge gaps

- The City can work with partners to provide training on expanding businesses to international markets

Cluster support

- It is well understood in local economic growth theory that there are significant benefits for creating local clusters of firms. Local governments have taken the lead in creating areas where like businesses can be established, with notable examples including Waterloo (high tech), and Kingston (green business park).
- The City might make its greatest contribution by establishing a focused business park in one of the existing employment lands where firms in the urban wood cluster are encouraged to move to. Opportunities exist in both the Port Lands (where Waterfront Toronto is establishing a net zero energy community and where Urban Forestry has a wood yard), and in the Stockyards District (where Morgan Solar is located), where there is an embryo of a green industry cluster being established. Both of these locations are within close proximity to where existing clusters have been identified.

Access to City Wood

- Urban Forestry and EDC have worked collaboratively to expand the access to City wood to the industry with varying success. Promoting the "offer to purchase" more effectively to the industry could help build awareness, however, many firms are not at a stage where they can purchase large volumes of wood.

Workforce training

- Once labour gaps are identified, the City can work with partners to provide targeted education and workforce training programs

> ***"Support local designers with carefully curated and professional shows in other markets"***

> ***"Try to help create a market place for artisans to sell live edge furniture"***

6.4 Benefits of an Industry Alliance

Export strategy

An Alliance can organize a cluster export strategy and coordinate booth design and logistics for an international trade mission.

A trade mission would reduce an individual firm's cost and amount of effort they would need to expend if they were to participate in a trade mission on their own.

Market awareness and supply chain partners

Members of an alliance can share resources and collectively grow a brand. An alliance can also support common business pain points.

Government support

While the government cannot fund individual firms to resolve their specific growth challenges, the City and other levels of government can provide funding to an industry alliance.

The Bluewater Wood Alliance booth at a show in Dubai, UAE.

Best Case Practices

1. Bluewater Wood Alliance
www.bluewaterwoodalliance.com

"*A cluster of wood products manufacturing companies in southwestern Ontario who are working together for the benefit of our customers, our members and our industry.*"

- Receive funding from the Ontario Ministry of Natural Resources
- Attend international trade expositions
- Provide business growth seminars for members
- Knowledge and customer sharing

7. NEXT STEPS

The survey proved successful in gathering important baseline data about the industry. With the information collected, EDC has a better sense of the strengths, weaknesses, opportunities, and threats to the sector. Further, strategies to support the growth of the sector have been identified – including the recommendation of creating an industry alliance. Another comprehensive survey should follow in 2 to 3 years to maintain information, and note trends in the sector. With more trends, comparisons can be made across regions. Recommendations for future surveys are summarized in the box below. These recommendations are based on key learnings from the survey summarized in this report.

Future survey recommendations

- Ensure company database is current and up-to-date
- Have a clear objective for the survey
- Keep questions as simple as possible to reduce ambiguity
- Minimize the use of range questions (i.e. On a scale of 1-5, how do you rank x?)
- Send at least two follow-up/ reminder emails about completing the survey to increase the response rate (trends provided by Fluid surveys show that on the day that the reminder email was sent, a significant number of responses were submitted)
- When collecting information for a period of time, be as specific as possible about the dates. For example, rather than asking for information for the "last three years", re-word the question to ensure clarity: beginning of Year1 to the end of Year3
- Frame questions to gather as many details as possible. For example, ask participants what *type* of skilled labour is needed for future growth.

7.2 SWOT Analysis

The survey results were broken down into a traditional SWOT (Strengths, Weaknesses, Opportunities, and Threats) format, which provide insight into the overall state of the industry.

Strengths

- **Growth**
  - Employment growth: 25% (2013-2016)
  - Sales growth: 33% of respondents reported growth of over 30% between 2013-2016; 55% of respondents reported growth of 0 to 20% since 2013
- **Financial health**
  - 67% reported *neutral*, *strong* or *very strong* financial health
  - 30% reported *strong* or *very strong* financial health

Weaknesses

- **Access to urban wood**
  - Only 7% of respondents say they have *ready access* to urban wood
  - 22% reported *difficulty* in finding urban wood resources
  - When asked to comment on how the City can support the Urban Wood Sector, respondents reported *access* to urban wood as a major area of concern
- **Formal business planning**
  - 93% of respondents reported plans to grow their business over the next 3 years, but 52% of respondents reported having no business plan, while only 15% reported to have an up-to-date business plan
- **Cash flow**
  - 63% of respondents rated cash flow an *important* or *very important* barrier to growth

Opportunities

- **Increased Access to City Wood**
  - Increased sales of City wood is likely to result in a new revenue source for the City
- **Trade and Export**
  - 26% of respondents *currently export*, while 59% say they have *sufficient goods and services to export*
  - Main barriers cited: cost of exporting (56% rated this factor important and *very important*); lack of management time to pursue export opportunities (52%); business size (52%)
  - 67% of respondents said they are *interested* in pursuing international markets, indicating that there is *significant interest* in the industry to export

Threats

- **Market Environment**
  - 74 % of respondents ranked the current state of the economy as an *important* or *very important* barrier to growth; taxation (at all government levels) and labour costs (67%); lack of product awareness in the market (63%); competition (59%); availability of skilled labour (56%)
- **Business Space Shortage**
  - Cost as a barrier (67%); availability of appropriate space as a barrier (63%)
  - Trend: historic warehouse spaces in the Toronto re-zoned to accommodate residential development. A significant portion of the urban wood industry is located in these warehouses, and respondents indicated that re-zoning and forces like gentrification are pushing them out, leaving many struggling to find affordable spaces

Appendix A: NAICS Codes

Table 1			
NAICS Codes			
NAICS Code	**NAICS Category**	**Definition**	**Corresponding Survey Prompt**
561730	Landscaping services	Establishments primarily engaged in providing landscape care and maintenance services and/or installing trees, shrubs, plants, lawns or gardens, and establishments engaged in these activities along with the construction (installation) of walkways, retaining walls, decks, fences, ponds and similar structures. Example: arborist services, tree surgery service, tree removal services	Tree Removal and Harvesting
321111	Sawmills	Establishments primarily engaged in manufacturing boards, dimension lumber, timber, poles and ties, and siding, from logs and bolts.	Wood Processing
321911	Wood window and door manufacturing	Establishments primarily engaged in manufacturing wood doors and frames, and wood window units and frames, including those covered with metal or plastic.	Other Wood Products
321919	Other millwork	Establishments, not classified to any other Canadian industry, primarily engaged in millwork. These establishments generally use woodworking machinery, such as jointers, planers, lathes and routers, to shape wood. Establishments primarily engaged in seasoning and planing purchased lumber are included. Wood millwork products may be covered with another material, such as plastic. Example: stair work (e.g., newel posts, railings, staircases, stairs), wood, manufacturing.	Wood Processing
321999	All other (miscellaneous) wood product manufacturing	Establishments that are not classified to any other industry, primarily engaged in manufacturing wood products.	Other Wood Products
321992	Prefabricated wood building manufacturing	Establishments primarily engaged in manufacturing prefabricated or pre-cut wood buildings, sections and panels. All buildings that are made away from the construction site, either in sections, complete units, or in components for on-site erection, are included. Establishments primarily engaged in manufacturing log cabins and log houses are included. Example: cottages, prefabricated, wood frame, manufacturing.	Other Wood Products
337110	Wood kitchen cabinet and counter top manufacturing	Establishments primarily engaged in manufacturing wood kitchen cabinets, bathroom vanities, and counters, designed for permanent installation.	Other Wood Products
337123	Other wood household furniture manufacturing	Establishments primarily engaged in manufacturing wood furniture designed for household use, except upholstered. Such furniture may be used in buildings other than private dwellings, for example in hotel rooms. Examples: bedroom furniture, wood, manufacturing, bookcases, wood, household, manufacturing, cabinet making, made to individual order, cedar chests, manufacturing, chairs, wood household (except upholstered), manufacturing. Example: hotel or motel furniture, manufacturing.	Other Wood Products; Custom Wood Products

337127	Institutional furniture manufacturing	Establishments primarily engaged in manufacturing furniture designed for use in institutions such as schools, churches, restaurants and other public buildings.	Other Wood Products
337213	Wood office furniture, including custom architectural woodwork, manufacturing	This Canadian industry comprises establishments primarily engaged in manufacturing wood furniture designed for office use, such as office chairs and desks. Establishments primarily engaged in manufacturing custom designed interiors consisting of architectural woodwork and fixtures, primarily utilizing wood, are included. Examples: bookcases and cabinets, wood, office, manufacturing• custom-designed office interiors (i.e., furniture, architectural woodwork and fixtures), manufacturing	Other Wood Products; Custom Wood Products
416320	Lumber, plywood and millwork merchant wholesalers	Establishments primarily engaged in wholesaling rough and dressed lumber, plywood, and other millwork products. Examples: doors and windows, wooden, wholesale• flooring, wooden, wholesale, lumber and planing mill products, wholesale• lumber, rough or dressed, wholesale	Bulk Wood Materials
444190	Other building material dealers	Establishments primarily engaged in retailing specialized lines of building materials. Examples lumber and planing mill product dealers, retail.	Bulk Wood Materials

Appendix B: Survey Questions

Urban Wood Industry Survey

http://cityoftoronto.fluidsurveys.com/s/urbanwoodsector/

General Business Information

1. Please provide the postal code of your place of business
First three digits

2. How many years has your business been operating?

3. Specific to your work in the wood products sector - what would you consider to be your primary or core business?
Please check one:

- Tree Removal and Harvesting *(i.e. Arborists, sawyers, tree and waste removal services)*
- Wood processing *(i.e. Sawmill, kilns, or lumber supplier)*
- Custom Wood Products *(i.e. carpenters, furniture makers, artists, wood carvers & turners, craftspeople)*
- Commercial Wood Products *(i.e. flooring, large scale furniture making, large scale kitchen production, other wholesale wood products)*
- Bulk Wood Materials *(i.e. firewood, mulch, chips & pellets, biochemistry)*
- None of the above *(primary business is not wood related)*
- Other wood products please specify: _________

4. On average, how many employees does your business have?

Current number of full time employees:
Number of full time employees you employed at the end of 2012:
Current number of part time employees:
Number of part time employees you employed at the end of 2012:
Number of employees (full and part-time) you plan to employ in three years (i.e. year end 2018):

5. Please provide an estimate of your average sales growth (approximate).
Please check box with approximate percentage (%) for each statement below.

- Average sales growth from the past three years:
- Percentage of annual sales growth attributed to wood products:
- Projected average annual sales growth for the next three years:
- Projected percentage of annual sales growth attributed to wood products:

6. How would you describe your business profit margins/ financial health?
Please rank your financial health between 1 and 5, where 1 is unhealthy and 5 is very healthy.

Wood Sector Specific

7. What percentage of your business is from working in the wood sector?
Please provide percentage below (%).

7. a) If you use or produce wood products, what percent of the following types of wood do you use/produce?
Please balance to 100%

- Urban wood:*(salvaged from urban trees rather than harvested from a rural lumber operation)*
- Salvaged wood:*(from previously used lumber)*
- Ontario produced lumber:
- Wood species imported from outside Ontario:*(inside Canada)*
- Wood species imported from outside Canada:

Opportunities and Barriers

8. Do you have a written business plan?
Select one

- Yes I have a business plan that has been updated/reviewed in the last year.
- Yes I have a business plan that has not been updated/reviewed in the last year.
- I do not have a business plan

9. Do you plan to grow your business over the next three years?
Yes/No

9. a) What actions are you taking or planning to take in the next three years to grow your business?
Check all that apply:

- Introducing new/improved products and/or services.
- Diversifying into new local markets/seeking out new opportunities or new customers.
- Hiring additional staff.
- Investing in specific training for existing staff.
- Improving management knowledge.
- Developing a marketing strategy.
- Developing export markets.
- Moving into larger facilities.
- Bring in new investors or partners.
- Other (please specify):
- Nothing or not sure yet.

10. Below is a list of possible barriers to growth. Please rank each barrier's importance based on the experience of your business.

	Very Important	*Important*	*Neutral*	Somewhat Important	Not at all Important	N/A
Availability of skilled labour:						
Finding and hiring new staff:						
Availability of training programs for employees:						
Labour costs:						
Current state of the economy:						
Cost of business space (rent or lease):						
Availability of business space to grow:						
Cash flow:						
Availability of bank financing:						
Availability of equity financing:						
Availability of government incentives to stimulate the market for your product:						
Government taxation (all levels):						
Competition in the market place:						

	Very Important	*Important*	*Neutral*	Somewhat Important	Not at all Important	N/A
○ Lack of market awareness of your products:						
○ Other (please specify below):						

Please specify other barrier:____________

11. Do you have ready access to urban wood?

Please rank on scale of 1 to 5, where 1 is difficult to find and 5 is easily available.

12. Export Opportunities.

	Yes	*No*
○ Do you currently export:		
○ Do you have goods or services that could be exported in significant quantities? (i.e. at least 10% of your sales):		
○ Are you interested in exploring international markets:		

13. What are the barriers to developing or expanding export markets?

	Not at all Important	*Somewhat Important*	*Neutral*	*Important*	*Very Important*
○ Limited knowledge of how to export:					
○ Difficulty in finding overseas customers or opportunities:					
○ Concern over payment issues:					
○ Lack of management time to pursue export opportunities:					
○ Cost of exporting:					
○ My business is too small to export:					

City of Toronto Support

14. What areas can the City support you in growing your business?

Please check all that apply. Understanding and acquiring information about regulations, permits and licenses.

- ○ Accessing financing and grants.
- ○ Exporting to new and emerging markets.
- ○ Importing from international markets.
- ○ Marketing.
- ○ Hiring skilled employees.
- ○ Staff Training.
- ○ Management Training.
- ○ Expanding your business and securing affordable space.
- ○ Connecting with knowledgeable mentors.
- ○ Networking and learning opportunities.
- ○ None of the above.
- ○ Other:____________________

15. How important is each of the following areas of support that the City can provide to the sector and/or your firm?

	Not at all Important	*Somewhat Important*	*Neutral*	*Important*	*Very Important*
○ Advocacy, Policy and Regulatory Support: *(i.e. gaining access to City wood)*					
○ Cluster and Supply Chain Development: *(i.e. supporting a sector roadmap)*					
○ Market Identification and Development: *(i.e. export market study and trade missions)*					

	Not at all Important	*Somewhat Important*	*Neutral*	*Important*	*Very Important*
o Marketing and Promotion: *(i.e. exhibitions and displays)*					
o Workforce Development: *(i.e. training programs)*					

16. How satisfied are you with the City's support in the following areas?

	Very Unsatisfied	*Unsatisfied*	*Neutral*	*Satisfied*	*Very Satisfied*
o Workforce Development:					
o Marketing and Promotion:					
o Market Identification and Development:					
o Cluster and Supply Chain Development:					
o Advocacy, Policy and Regulatory Support:					

Strengthening the Local Urban Wood Industry

17. Are you aware of the Urban Wood Roadmap developed by the industry and supported by the City of Toronto?
Yes/No

17. a) In November 2013, the urban wood industry and supporting stakeholders developed the Urban Wood Roadmap with four priority areas.

Please rank how successful the city has been in these four areas in terms of supporting the sector.

	Very Unsuccessful	*Unsuccessful*	*Neutral*	*Successful*	*Very Successful*
o Urban Wood Industry Sector & Networking Development:					
o Neighbourhood Pilot Project: Holistic Approach:					
o High Volume Industry Strategy:					
o Marketing Strategy for Urban Wood:					

18. The above priority areas were drafted in late 2013. How important are the four priorities areas to the growth of your business or the sector now?

	Not at all Important	*Somewhat Important*	*Neutral*	*Important*	*Very Important*
o Marketing Strategy for Urban Wood:					
o High Volume Industry Strategy:					
o Neighbourhood Pilot Project: Holistic Approach:					
o Urban Wood Industry Sector & Networking Development:					

19. Are there other areas that are important for the City to support in order to grow the local industry?
Please provide answer in 200 characters

20. Would the formation of a strategic alliance of local businesses in the urban wood sector in the GTA be of value or benefit to your company? An example of an alliance is the Blue Water Wood Alliance that supports southwestern Ontario.
Please move toggle below to rank on a scale of 1 to 5, where 1 is no benefit, 5 is high benefit. If unsure please leave question blank.

21. Would you be interested in being involved in discussions to organize a local alliance? If so please provide your email below and we will be in touch.

References

Citations

[i] Every Tree Counts, Urban Forestry, City of Toronto, 2009.
[ii] Statistics Canada, Small and Medium-Sized Enterprises Data Warehouse, 2008.
[iii] Innovation, Science and Economic Development Canada, Key Small Business Statistics, 2016.
[iv] Innovation, Science and Economic Development Canada, Financial Performance Data, 2016.
[v] Innovation, Science and Economic Development Canada, Key Small Business Statistics, 2016.

Image Credits

IIDEX Woodshop participants, 2013 & 2014
Open source images from: splitshire.com