

The Regional Municipality of York

Committee of Whole
Planning and Economic Development
March 7, 2019

Report of the Commissioner of Corporate Services and Chief Planner

Toronto Global Agreement Renewal

1. Recommendations

1. Council authorize an agreement with Toronto Global to provide foreign direct investment services for a five year term commencing April 1, 2019, subject to:
 - a. The Federal and Provincial governments and all existing municipal funders committing to funding for the same term at levels at least commensurate with 2018 funding
 - b. Toronto Global annually appearing before Council to present investment results and return on investment for York Region
 - c. York Region's funding commitment being reaffirmed annually by Council with consideration to exit the partnership should sufficient results not be achieved
2. The Chief Administrative Officer be authorized to execute the agreement

2. Summary

This Report provides an update on the progress and benefits of Toronto Global to York Region and proposed terms for extending the agreement between the two parties.

Key Points:

- Toronto Global was formed in 2016 as a partnership between all levels of government to undertake foreign direct investment on behalf of the Greater Toronto Area
- The agreement with Toronto Global expires March 31, 2019, and Toronto Global is proposing a new five year agreement with cost of living increases beginning in 2020, with a total cost to the Region over five years of approximately \$1.7 million
- York Region has received minimal investments through the partnership and a disproportionately low share of Toronto Global investments brought to the GTA
- The partnership provides other benefits and the agreement should be extended to leverage the significant senior government funding and allow Toronto Global to

demonstrate return on investment with respect to attracting companies and jobs to York Region

- The value of the partnership should be reviewed annually given the level of funding being committed, with the opportunity to exit should results not improve
- New approaches with Toronto Global for handling leads and involving local municipalities within York Region need to be considered to improve the overall program and investment results

3. Background

Joint foreign investment attraction in the Greater Toronto Area has evolved since 1998

York Region funded the Greater Toronto Marketing Alliance (GTMA) between 1998 and 2016 in partnership with other municipal funders from across the Greater Toronto Area (GTA) to undertake joint international investment attraction. As a result of concerns raised regarding the effectiveness of the GTMA, a review of Foreign Direct Investment (FDI) attraction in the GTA was undertaken by the agency in 2014 and 2015.

The resulting “Greater Toronto Marketing Alliance Roadmap to Revitalization” report recommended the creation of a new foreign direct investment attraction agency and a new operating model with the understanding that business investments in any one part of the Toronto Region benefits all municipalities, and that a collective regional value proposition is stronger than the sum of its parts. The report indicated a partnership involving all levels of government with significantly more funding and resources was necessary to create an agency that would compete with other global centres in attracting investments and jobs.

Toronto Global was formed in 2016 as a three year partnership between all levels of government at a cost of close to \$21 million over this period

In March of 2016 Regional Council authorized staff to enter into an agreement with Toronto Global to undertake global investment attraction on behalf of Greater Toronto Area municipalities. Toronto Global’s mandate involves identifying and attracting new investments from foreign companies not currently located in the GTA.

Toronto Global is supported financially by the Cities of Brampton, Mississauga, Toronto and the Regions of Durham, Halton and York, as well as the Federal and Provincial governments. Collectively, all levels of government have committed close to \$21M over three years to improve foreign direct investment results in the GTA. As municipal funding is allocated by population size, York Region is the second highest municipal funding contributor, with a commitment of \$329,389 per year. Over the three year term, York Region has contributed just over \$988,000 in funding to Toronto Global.

The funding allocations identified in the agreement are outlined in Table 1.

Table 1
Toronto Global Annual Funding by Stakeholder

Municipality/Stakeholder	Annual Core Funding
Government of Canada	\$2,500,000
Government of Ontario	\$2,500,000
City of Toronto	\$890,412
York Region	\$329,389
City of Mississauga	\$227,598
Durham Region	\$206,397
City of Brampton	\$167,135
Halton Region	\$160,038
Total Annual Funding	\$6,980,969

Under the agreement, funding municipalities receive a seat on the Mayors and Chairs Strategy Council as well as representation on the Economic Development Officers Management Council. These two bodies provide strategic direction and advice to the Toronto Global Board of Directors, comprised of private sector members, and Toronto Global staff respectively.

The Toronto Global Agreement expires March 31, 2019 and funders are being asked to renew for five years

The current Toronto Global agreement expires March 31, 2019. While the federal and provincial governments have separate agreements from the municipal funders, Toronto Global has commenced discussions with all levels of government on renewal. Toronto Global is proposing that municipal funding agreements be renewed for a five year term, with funding levels remaining the same in 2019, and then escalating annually by the cost of living over the remaining four years. Toronto Global advises that similar proposals have been made to the federal and provincial governments.

According to Toronto Global and discussions with the other municipal funders through the Economic Development Officers Management Council, the status of funding discussions elsewhere is as follows:

- Federal Government: according to Toronto Global they are considering the five year agreement renewal

- Provincial Government: Toronto Global has proposed the five year agreement renewal and is awaiting a response
- Municipalities: all of the municipal funders are expecting to renew the agreement. Details around length of term, cost of living increases, performance metrics, and the name of the organization (not just “Toronto” Global) are all topics under discussion by the parties. Durham Region Council has approved a five year agreement with annual performance evaluations during their budget deliberations, with an expectation of investment results in 2019.

4. Analysis

York Region entered into the Toronto Global partnership primarily to increase foreign investment attraction, creating jobs

Toronto Global’s core mandate is to attract and secure new foreign direct investment in the Greater Toronto Area. This mandate includes investment lead generation and client servicing for companies not currently located in the GTA, supported by promoting the internationally recognizable ‘Toronto’ brand to global investors.

York Region entered into partnership with Toronto Global in 2016 with the expectation of adding to the robust foreign direct investment activity already being facilitated and experienced here. Business growth and job creation are Council priorities, and Toronto Global potentially provides an additional avenue for supporting this priority. The ‘York Region’ brand does not have the reach or awareness in foreign markets that the ‘Toronto Region’ brand carries, and the partnership allows for York Region’s funds to leverage additional substantial funding from all levels of government, extending reach globally.

Toronto Global manages lead generation and clients services with limited Regional involvement

Toronto Global’s client servicing model calls for all aspects of client sales and services, from lead generation up to the final location investment decision, to be handled in house by professional Toronto Global investment advisors. Toronto Global also manages all investment leads through Canadian consulate offices, as well as the provincial Invest Ontario staff embedded in foreign consulates and embassies. York Region has limited its foreign investment attraction outreach program and connections to senior government agencies since 2016 to allow Toronto Global to fulfill its mandate and develop the service model on behalf of all the municipalities in the Greater Toronto Area.

Toronto Global is developing a significant pipeline of potential leads identified through their various sources, including a growing share through their own direct identification and outreach efforts. The agency’s investment advisors occasionally reach out to municipalities for support with investment clients or inquiries where there is a potential fit with a specific community, or communities. This ‘one stop shop’ model to client services is aimed at

achieving better investment results for the GTA compared with its predecessor agency and ensuring a more consistent and competitive client experience.

Toronto Global is making a positive impact on foreign investment attraction in the Greater Toronto Area, but has yet to generate significant foreign investment in York Region

Toronto Global’s impact to date on attracting investments and building awareness for the ‘Toronto’ brand globally has been positive. Toronto Global’s client service model recognizes that the sales cycle for investment attraction projects handled by the organization is 90 days to three years depending on the sector and specific opportunity in question. Since Toronto Global became active in January 2017, the agency reported 54 investment deals across the Toronto Region representing over 3,300 jobs.

A key milestone in this area was the significant visibility generated by Toronto Global’s public bid for Amazon’s second North American headquarters (Amazon HQ2), and the subsequent inclusion of the Toronto Region among 20 shortlisted metropolitan jurisdictions. Toronto Global’s bid document, which included two sites in York Region, was downloaded over 20,000 times. While the Toronto Region bid for Amazon HQ2 was not successful, Amazon has subsequently announced an expansion of their Downtown Toronto office, potentially influenced by the bid.

A summary of the location and size of investments secured by Toronto Global since January 2017 appears in Table 2.

Table 2
Distribution of Toronto Global Investments by Municipal Funder
2017 - Present

Municipality	Number of Investments	Number of Jobs
City of Toronto	47	1,728
City of Mississauga	4	1,568
City of Brampton	1	30
Region of York	2	20
Region of Halton	0	0
Region of Durham	0	0
Total Investments	54	3,346

As noted in Table 2, the agency secured two new foreign investments in York Region, creating up to 20 new jobs over 3 years. Both investments took place in 2017 in the City of Vaughan and were handled internally by Toronto Global staff. They include a wholesale supplier of automotive repair tooling, and a supplier of decorative glass. No investments were secured by Toronto Global in York Region in 2018 or early 2019.

Toronto Global's two recorded investments in York Region represent less than four percent of the total number of investments secured by the agency and less than one percent of the resulting jobs created. York Region's share of Toronto Global results is disproportionately low when compared with the Region's economic share and attractiveness as a location for business investment.

A range of options have been considered for approaching the Toronto Global agreement renewal

Given the limited direct investment results achieved in York Region through the Toronto Global partnership and the significant past and future investment required to support the organization, it is appropriate to examine a variety of options for delivering foreign investment attraction programming in York Region when considering renewal of the Toronto Global agreement. Options considered include:

- Ending the partnership with Toronto Global and reallocating the funding to an enhanced formal Region/local municipal foreign investment attraction program
- Renewing the Toronto Global agreement for one year with an expectation of improved results in 2019, exiting the partnership should results not be achieved
- Renewing the agreement with Toronto Global for five years as requested with annual reviews and the opportunity to exit the partnership should results not be achieved

Each option is summarized in the following sections of the report.

Ending the agreement would free up funds for an enhanced Region/local municipal program, but would limit the program reach and influence

Annual funding currently allocated to Toronto Global could be redirected towards the delivery of an enhanced York Region/local municipal foreign investment attraction program. A realigned program could see the Region reinforcing business attraction activities undertaken by local municipalities, providing enhanced research, marketing and business advisory support. Such a program could continue to leverage the Toronto Brand while promoting the unique Region and local value propositions. However, such a program would not have the same resources as Toronto Global to reach foreign markets, limiting its potential for success.

This approach could also benefit from a reinstatement of the direct relationship with federal and provincial investment attraction agencies. It also opens the possibility of approaching those agencies for the proportionate share of funding they provide now to Toronto Global to

support a York Regional collaborative program. However, this may not be possible should the Toronto Global agreements with those agencies continue.

Renewing the agreement for one year would send a strong signal on the need for results, but may limit Toronto Global's ability to leverage other funding

Toronto Global's client service model recognizes that the sales cycle for investment attraction projects handled by the organization is 90 days to three years depending on the sector and specific opportunity in question. Toronto Global has been active for 2 years and indicates strong interest and a healthy client lead pipeline considering York Region as a potential location. Toronto Global has stated the Region should expect more significant investments occurring over the next year in York Region.

Renewing for one year would strongly signal that investment results in York Region are a necessary component of continuing the Toronto Global relationship. Should results improve in 2019, a longer term renewal could be considered in early 2020. Should results not be realized in 2019, the partnership could be ended by simply allowing the agreement to expire. However, this approach does not provide Toronto Global with the longer term commitment it needs to leverage the significant funding it needs, particularly from senior levels of government, to properly carry out an extensive global investment attraction program.

Renewing the agreement for 5 years with annual reviews provides a balanced approach, while still signalling the need for investment results in York Region

Renewing the agreement for 5 years, as requested, would assist Toronto Global in leveraging funding contributions from federal, provincial and other municipal partners to continue the program, which overall is headed in the right direction. Undertaking annual reviews, with the opportunity to exit the agreement should York Region not achieve results, recognizes the cyclical nature of leads and provides Toronto Global with the opportunity to deliver. This option provides a balance between the needs of the organization and the Region with respect to funding and results, and as such is recommended by staff.

Toronto Global has indicated it is prepared to work with York Region and local municipalities to develop a 'made in York' solution within the current partnership framework. This could include:

- establishing a Toronto Global/York Region/local municipal working group to increase involvement in marketing and lead handling efforts
- engaging interested local municipalities more directly in Economic Development Officers Management Council discussions
- embedding a York Region value proposition in early select client engagements

These and other approaches could be considered over the duration of the 5 year agreement in consultation with Toronto Global and its partners, as well as local municipalities in York Region.

5. Financial

York Region currently funds Toronto Global in the amount of \$329,389 annually, and is concluding the last year of the three year commitment under the agreement. Toronto Global is requesting York Region enter into a five year agreement, with the first year funding of \$329,389, escalating annually in the subsequent four years to capture cost of living increases. This request represents a total financial commitment over the next five years of approximately \$1.7 million. It is essential that a commitment from the Region of this magnitude be contingent upon senior levels of government and other municipal funders continuing with their commitments.

Given the benefits provided and results achieved to date, a continuation of the agreement is recommended with Toronto Global providing annual performance updates to Council. This approach allows Council the opportunity to annually evaluate Toronto Global's value for the investment with respect to attracting businesses and creating jobs for York Region. The first year of funding for Toronto Global has been incorporated in the 2019 Budget.

6. Local Impact

All municipalities in the Region benefit from increased global awareness of the Toronto Region brand, which can be leveraged to support local initiatives with an international component. Toronto Global is beginning to engage more directly with funding municipalities on tailored messaging, and this is encouraged to extend to York Region and the local municipalities.

At the same time, local municipalities in York Region all have unique business attraction strategies, goals, assets, and value propositions. It is therefore beneficial for all parties to have the Region's local municipalities also engage directly with Toronto Global so as to improve coordination of activities, utilize resources more effectively, increase local municipal exposure in key international markets and collaborate to attract more FDI. More involvement by the Region and local municipalities to support and handle investment of leads with an interest in York Region could assist in improving results.

7. Conclusion

Toronto Global was launched in 2016 as a partnership to undertake joint international investment attraction under the Toronto Region brand. Federal, Provincial and regional/local governments contribute in total close to \$7 Million annually to the agency under a three year agreement, with York Region contributing \$329,389 annually. Since 2016 York Region and its local municipal partners have actively worked with and supported Toronto Global to help achieve their mutual objectives.

Since inception, Toronto Global has been successful in raising awareness of the Toronto Region brand globally. This is most evident through the Toronto Global led Toronto Region Amazon HQ2 proposal achieving a Top 20 position on the Amazon short list of North American metropolitan areas.

While the organization has been increasingly demonstrating capacity to facilitate investments and job creation in the GTA, they have yet to generate significant foreign investments and jobs in York Region. The agreement should be renewed with annual reviews to continue to leverage senior government funding. This allows Toronto Global to demonstrate value for the Region's investment, while recognizing the need to see direct investment results in York Region. New approaches with Toronto Global for handling leads and involving local municipalities within York Region can be explored with Toronto Global to improve the overall program and investment results

For more information on this report, please contact Doug Lindeblom, Director at 1-877-464-9675 ext. 71503. Accessible formats or communication supports are available upon request.

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