

The Regional Municipality of York

Committee of the Whole
Planning and Economic Development
May 5, 2022

Report of the Commissioner of Corporate Services and Chief Planner

Toronto Global Membership and Foreign Direct Investment Realignment

1. Recommendations

1. Council approve participation with the Toronto Global partnership at the Municipal Collaborator level of \$50,000.
2. The report be circulated by the Regional Clerk to local municipalities, Toronto Global, and the Ministry of Economic Development Job Creation and Trade.

2. Summary

This Report provides a summary of Toronto Global's new proposed funding and membership model with municipal partners. It outlines the approach for York Region's continued involvement with Toronto Global at the reduced funding level set by the organization while reallocating funds and refocusing staff support on a "made in York Region" Foreign Direct Investment (FDI) partnership framework.

Key Points:

- York Region is a top destination for FDI in the GTA and Canada
- Toronto Global was formed in 2016 as a partnership between all three government levels to deliver centralized FDI attraction services in the Greater Toronto Area (GTA)
- While Toronto Global made a positive impact on FDI attraction into the GTA, the overall share of results in 905 jurisdictions, including York Region, remains low
- York Region's last joint municipal funding agreement with Toronto Global expired March 31, 2022. Municipal funders identified operations and governance concerns
- Toronto Global has proposed a new partnership model going forward
- Assessment on the new model provides a benefit for continued involvement with Toronto Global at a lower funding level
- Remaining budget will be redirected towards a "made in York Region" FDI partnership framework which will include support for local municipal FDI attraction efforts

3. Background

York Region is a top destination for Foreign Direct Investment (FDI) in the Greater Toronto Area (GTA)

FDI has contributed to substantial net economic benefits to the Region's economy with over 500 foreign companies providing an estimated 60,000 jobs, roughly 10% of all local employment. With over 60% of the total, the U.S. is the largest source country of FDI in York Region. Information & Communications Technology (ICT) represents the sector with the greatest share of FDI at 30%.

The Region is home to an impressive list of foreign companies, many of which are industry leaders. This includes such names as IBM, AMD, Huawei, Aviva Insurance, Honda, Johnson & Johnson, GM, Toshiba, Philips, GE, Hyundai, Siemens, Staples, Mars Wrigley, Qualcomm, and Adidas. While the FDI activity in York Region has slowed since the COVID-19 pandemic, the Region continued to see foreign investments, particularly in warehousing and distribution and technology sectors. Global corporations with recent investments include, Walmart, Amazon, Tesla, LGC, GEH, Syntronic and Cepheid.

York Region's largest local municipalities have longstanding FDI attraction programs focused on key international markets. The smaller communities have taken a more opportunistic approach to FDI attraction and planning for investment attraction readiness. York Region also delivers collective promotion of the Region as a destination for business and talent under the 'York Link' umbrella and provides on-request support to local municipalities with FDI clients. Through the collective work of the local municipalities, the Region, and external economic development and real estate partners, over 30 new foreign investments have been attracted to the communities yielding about 6,000 new jobs in the last five years.

Toronto Global was formed in 2016 as a partnership between all levels of government to attract FDI into the GTA

York Region has been funding collaborative FDI attraction in the GTA for over 20 years, previously through the Greater Toronto Marketing Alliance (GTMA) and in the last 6 years through the Toronto Global investment attraction organization.

Toronto Global was formed and first funded in 2016 as a revitalized FDI partnership between all 3 levels of government and became fully operational in early 2017. The organization acts as the investment promotion agency for the entire GTA, responsible for investment lead generation, servicing prospective clients, and international marketing of the Toronto Region. The primary objective of Toronto Global is to work with foreign investor clients to assist in the establishment of new business operations in the Toronto Region.

Toronto Global provides an additional avenue for supporting Regional Council's priority for business growth and job creation.

Funding for Toronto Global is largely provided by the federal and provincial governments

Toronto Global's total funding from all government levels over the last 6 years was roughly \$36M, including York Region's share of about \$2M. Table 1 summarizes Toronto Global's funding by stakeholder in the last fiscal year of the previous agreement.

Table 1
Toronto Global funding by stakeholder - previous agreement

Municipality/Stakeholder	Core Funding in FY 2021/2022	Share of Total Funding
Government of Canada	\$2,000,000	30.5%
Government of Ontario	\$2,500,000	38.1%
City of Toronto	\$926,384	14.1%
York Region	\$342,696	5.2%
City of Mississauga	\$236,792	3.6%
Durham Region	\$214,735	3.3%
City of Brampton	\$173,887	2.7%
Halton Region	\$166,503	2.5%
Total	\$6,561,000	100%

Source: Toronto Global.

Toronto Global leads and handles FDI sales and client services in-house with municipal involvement on a case-by-case basis

As GTA's dedicated FDI attraction organization, Toronto Global receives inbound investment leads and inquiries from Provincial and Federal FDI agencies and economic officers in Canadian embassies and consulates worldwide. There is a team of in-house investment advisors handling all aspects of FDI attraction including prospecting, sourcing of opportunities, investment sales and client services. This end-to-end and client-centric model is aimed at ensuring consistent and competitive customer service to meet client specific location needs and deliver better investment results for the GTA.

The investment advisors reach out to municipal partners on a case-by-case basis for support with location- specific client inquiries or opportunities. York Region encourages and facilitates direct engagement between local-municipal economic development staff and Toronto Global's investment and marketing teams to support the best possible handling of referred investment inquiries or clients.

On average, about 15 FDI inquiries per year were shared with York Region and its local municipalities. This represents a small share of over 300 FDI clients the organization typically has in its active sales pipeline that are deemed to have “strong potential to locate in the Toronto Region”.

Opportunities received from Toronto Global range significantly in terms of quality and economic potential. These are assessed by regional staff to facilitate direct follow-up between Toronto Global and local municipalities, with regional support. Ownership of, and responsibility for, the client remains with Toronto Global until the file is won, lost or closed.

Although Toronto Global conducts FDI activities on behalf of the funding municipalities, several funders have continued independent FDI missions or activities: namely Toronto, Mississauga, Brampton and Durham Region. Local municipalities in both Halton and York Region have also continued separate FDI programs.

York Region’s last joint municipal funding agreement with Toronto Global expired March 31, 2022

The last joint municipal agreement with Toronto Global expired on March 31, 2022. This marked the sixth year of funding the organization under 2 three-year funding agreements approved by Regional Council in 2016 and 2019. The Provincial government agreement continues until June 2022, with the Federal government agreement continuing into 2023. Toronto Global has started discussions with upper-tier government partners to secure continued commitment for multi-year support on similar funding terms.

Under previous agreements with municipal funding partners, Toronto Global’s annual business plan and its multi-year strategic plan were approved by the organization’s municipal Mayors and Chairs Strategy Council and a separate private sector Board of Directors. Municipal staff from funding partners had no decision-making authority but provided operational and strategic guidance to Toronto Global staff, through the municipal Economic Development Officers (EDO) Management Council.

4. Analysis

Toronto Global has made a positive impact on FDI attraction into the GTA, however most of the business investments are not within the 905 areas

Toronto Global’s overall impact on attracting FDI into the GTA and promoting the internationally recognized ‘Toronto’ brand globally, has been positive. Between January 2017 and February 2022, Toronto Global facilitated about 170 investment projects leading to the creation of over 9,650 jobs and capital expenditures of roughly \$1.9 billion across the GTA.

The City of Toronto received roughly 80% of Toronto Global’s total investment wins and 65% of new jobs created. This contrasts with 20% of investments and 35% of jobs in all of the GTA’s 905 municipalities combined. This ratio is disproportionately low compared with the 905 jurisdictions’ combined share of the municipal funding (55%) or collective share of GTA’s business establishments with about 60%. Table 2 shows the investments since 2017.

Table 2
Distribution of FDI Results by Municipal Funding Partner
January 1, 2017 - March 1, 2022

Municipal Partner	Investments	Jobs Created
City of Toronto	135	6,145
City of Mississauga	17	3,082
York Region	5	155
Halton Region	6	103
City of Brampton	1	30
Durham Region	2	80
Total	166	9,595

Source: Toronto Global.

The Toronto Global outcomes in York Region between January 1, 2017 and March 1, 2022 are 5 investments with 155 jobs combined (3 year period hiring estimates). This represents only 3% of Toronto Global's total facilitated investments in the Toronto Region and less than 2% of total jobs. These results are disproportionately low when compared to either York Region's 17% share of Toronto Global's total municipal funding or 20% share of GTA's business establishments (businesses with employees). Based on these comparisons, the original goal of funding Toronto Global to attract significant greenfield FDI to York Region beyond what is organically realized, was not met to a satisfactory extent.

On the marketing front, Toronto Global's efforts to promote the Toronto Region globally has been beneficial to all stakeholders, exemplified by the significant exposure for its Amazon HQ2 bid in 2017 and more recently through a series of regionally focused promotional campaigns. Toronto Global also developed a capacity for business research and collecting competitive data on the GTA to support FDI marketing, client sales and partner data requests.

Throughout the term of the municipal funding agreement, 905 partners raised concerns with the existing model

Over the past 5 years municipal funders provided continuous improvement advice to Toronto Global through the Mayors and Chairs Strategy Council and the EDO Management Council. Through this process, there was formal correspondence on key concerns to be addressed to improve the outcomes for all municipal partners including:

- Consideration for revising the funding formula for members

- Refocusing on the original core mandate of greenfield FDI attraction to prevent scope creep into other economic development service areas such as business retention and expansion (BR&E)
- Revising the 75/25 investment targets split between Toronto and the 905 communities
- Other improvement suggestions around opportunities pipeline and client sales practices, corporate name, and organizational structure

With this on-going input, the share of investment projects in GTA's 905 regions eventually increased. In the 2021-22 reporting year, investment in the 905 represented roughly 20% of all investments and over 35% of resulting jobs facilitated by Toronto Global, compared with 15% of both investments and jobs in 2019-20. While this is an improvement, the collective share of 905 jurisdictions of Toronto Global's investment results remain low.

Toronto Global has proposed a new partnership framework with municipalities including a revised funding structure and governance model going forward

In response to low 905 results, feedback provided by the municipalities and a best practice study, a new funding model and governance structure is being proposed. The new funding arrangement leverages the same support from the Provincial and Federal governments but has a two-tier membership for the founding municipalities. There will also be a change to the EDO Management Council, Mayors and Chairs Strategy Council and the Board.

This new model proposes two categories with flat fee membership options for existing municipal partners:

1. "Principal Contributor" with an annual fee of \$2,000,000, or
2. "Municipal Collaborator" with a \$50,000 annual fee

According to Toronto Global, both membership levels offer the same benefits in terms of service delivery. This will include lead generation, client servicing, research and marketing activities enhanced with regional knowledge and collaboration support. One such program is the new Supply Chain Onshoring Resilience and Expansion (SCORE) program in partnership with FedDev Ontario. The difference between membership levels, apart from cost, is at the board level where Principal Contributors have two board seats while Municipal collaborators collectively share one board seat.

The governance model proposed in the new partnership framework is seen in Table 3 and detailed in the draft term sheet provided by Toronto Global outlining the membership benefits and services in Attachment 1.

Table 3 summarizes the key differences between past municipal funding agreements in 2016-2022 and the proposed membership model.

Table 3**Key Differences Between Previous and New Municipal Membership Model**

Item	Previous Membership Model	New Membership Model
Agreement term	3 years	3 years with renewal option for 2 additional years
Membership eligibility	Cities of Toronto, Brampton, Mississauga, and the Regional municipalities of Durham, Halton and York	No change
Municipal funding	Proportional by population size (\$343,000 annually for York Region in 2021-22)	Annual flat fee - \$2M as “Principal Contributor” or \$50,000 as “Municipal Collaborator”
Board of Directors	Multi-layered: private sector Board and Mayors & Chairs Strategy Council	Single and expanded private-public Board of Directors
Role of municipal partner staff	EDO Management Council for two-way dialogue. No decision-making role.	Joint Advisory Committee for two-way dialogue including annual presentation to the Board. No decision-making role.
Services to municipal funding partners	End-to-end lead generation and servicing of FDI opportunities; marketing of the Toronto Region; research and data on the Toronto Region	Same core FDI sales, marketing and research services plus enhanced regional collaboration; Supply Chain Support program; optional ‘fee-for-service’ for member-requested support

The new membership model helps address concerns regarding funding levels and improved regional collaboration

The new term sheet addresses some of the concerns previously identified by the 905 municipal funding partners including changes to the funding level and improvement to regional collaboration. Toronto Global has indicated that the key concern, business retention and expansion engagement in local communities can be addressed in individual agreements.

Toronto Global has indicated that the new municipal membership model is supported by upper levels of government.

There is a rationale for continued York Region membership with Toronto Global as a “Municipal Collaborator”

As directed by Regional Council in the [November 5, 2020](#) report, staff undertook an assessment of continued membership in Toronto Global beyond March 31, 2022. The assessment covered return on investment considerations and stakeholder feedback on the new proposed model.

York Region has seen only 3% of Toronto Global’s total investment wins in the GTA over the last 5 years and less than 2% of the resulting job creation. In fact, the new \$50,000 annual membership fee option is approximately 2% of the 2019-2022 municipal funding and is in line with the investments obtained in the Region.

Regional staff consulted with local municipal staff between October 2021 and March 2022 to discuss Toronto Global and an approach to regional FDI programming going forward. Overall, the local municipalities see value in continued regional membership from a collaborative GTA marketing perspective. Continued membership in Toronto Global under the new funding structure will leverage significant funding from the Provincial and Federal governments for the promotion of the collective ‘Toronto Region’ brand. It also allows York Region to access centralized FDI services and initiatives that are designed to strengthen and enhance regional collaboration that benefits all Toronto Global stakeholders.

Local municipal partners identified concerns similar to those outlined earlier in this report, primarily lack of Board representation and the process for servicing leads. Some expressed specific interest in a parallel FDI attraction framework focused on the Region’s value propositions and local-municipal FDI priorities. Reduced funding of Toronto Global would allow York Region to redirect resources towards a “made in York Region” FDI partnership in support of, and in collaboration with, local municipalities, as outlined in the next section.

Discussions among 905 municipal funding partners also suggest consensus on the collective value of increased visibility and similar concerns related to the flow of investment leads from senior government agencies, business retention & expansion scope creep and Board representation.

Based on this assessment, a case still exists for York Region’s future involvement with the Toronto Global partnership at the “Municipal Collaborator” funding level of \$50,000 annually. Participating at this level will leave significant funds that can be redirected to other economic development initiatives including pursuing parallel FDI programs.

As a Toronto Global “Municipal Collaborator”, regional resources can be freed up to provide more direct support to local-municipal FDI and investment readiness programs and priorities

In the new model, York Region will continue supporting GTA’s Toronto Global partnership at the “Municipal Collaborator” membership level on behalf of the local municipalities. The remaining budget will be reallocated towards a new “made in York Region” regional FDI support partnership framework in support of, and collaboration with, local municipalities. This will include expanding regional economies-of-scale FDI marketing as well as direct funding and operational support of local-municipal FDI attraction or investment readiness initiatives.

The core annual budget of approximately \$340,000 formerly allocated to funding Toronto Global will be split into three portions:

- The Region’s new annual Toronto Global membership fee (including annual cost of living increases), and collaborative GTA member initiatives organized through Toronto Global.

- Local municipal cost sharing to support FDI prospecting, lead generation or investment readiness initiatives. Goals and outcomes will be defined by the local municipalities.
- Enhanced marketing and promotion of York Region as a destination for FDI business and talent in the GTA.

This approach to a new regional FDI support partnership framework was shared with local-municipal economic development officers on March 11, 2022. All local municipalities are eligible to receive funding according to specified criteria in an application process that will be developed and shared directly with local-municipal staff over the coming months.

This realigned approach offers several benefits:

- Continued involvement with the wider GTA partnership between all 3 levels of government, including access to Toronto Global centralized FDI services that benefit York Region's local municipalities directly and indirectly
- Frees up funding and Regional staff capacity to focus on the FDI attraction business strengths, value propositions and priorities unique to York Region
- More direct and focused support of all York Region local municipalities with their FDI attraction priorities with increased collaboration opportunities
- Expands and complements, rather than duplicate or overlap with Toronto Global's activities or the independent local-municipal FDI programs in York Region
- Avoids replicating within York Region a centralized top down FDI lead generation and sales model that has not met direct needs of many local municipal stakeholders, previously with the GTMA and more recently with Toronto Global

Staff will report to Regional Council annually on outcomes and initiatives under the new Regional FDI support partnership as part of the Economic Development Action Plan update.

5. Financial

Funding of Toronto Global is included in the Planning and Economic Development annual operating budget. Following changes in Toronto Global's membership model with municipal partners, York Region will reallocate the remaining budget towards a new Regional FDI support partnership framework, including enhanced Regional FDI marketing and direct funding support for local-municipal FDI attraction or investment readiness initiatives. Table 4 below summarizes details of the reallocation of the former Toronto Global budget.

Table 4
Reallocated Use of Former Toronto Global Core Annual Budget

Item	Previous Funding Amount	Reallocated Funding Amount	Reallocated Funding Use
Toronto Global Membership Fee	~\$340,000 annually	\$70,000 annually	Includes a \$50,000 membership fee and \$20,000 for collaborative GTA initiatives and membership fee inflation increases
Enhanced FDI Marketing by York Region	N/A	Up to \$135,000 annually	Allocated to enhancing marketing and promotion of York Region as a destination for FDI business and talent in the GTA
Local-municipal FDI Partnership Fund	N/A	Up to \$135,000 annually	Up to \$15,000 per municipality available via an application process, to support local municipal efforts on a cost sharing basis for professional FDI prospecting, lead generation or investment readiness initiatives that have defined goals and measurable, reportable outcomes

6. Local Impact

York Region’s continued involvement with the Toronto Global partnership will leverage significant funding from all three levels of government to extend the collective reach of the internationally recognized “Toronto” brand and gain access to centralized FDI opportunities and services that benefit York Region’s local municipalities directly and indirectly.

The Region’s reduced membership fee in Toronto Global enables redirection of a large share of the Region’s former FDI funding budget towards a “made in York Region” FDI partnership framework in support of, and in collaboration with, local municipalities.

Based on consultation with local municipalities and assessment of the strengths and gaps related to the Toronto Global partnership, York Region staff believe this multi-pronged strategy will best support local FDI attraction efforts and priorities.

7. Conclusion

York Region has funded Toronto Global since inception to deliver centralized, FDI attraction services in the GTA. The Region’s funding under the previous agreement was about \$340,000 in 2021-2022. This joint municipal funding agreement expired on March 31, 2022.

While Toronto Global made a positive impact on FDI attraction into the GTA, the overall share of results in 905 jurisdictions, including York Region, remains low. As a result, municipal funding partners identified several areas of concern related to the organization’s

operations and governance model. Moreover, several GTA municipal jurisdictions, including local municipalities in York Region, also maintained existing FDI programs.

Toronto Global has proposed a new multi-year partnership framework with municipal members as of April 1, 2022. This includes a revised governance model with operational enhancements and a significantly reduced “Municipal Collaborator” annual membership option of \$50,000, and “Principal Contributor” option of \$2M. This is available for existing member municipalities.

Based on the new model, return on investment of the previous partnership and stakeholder consultations, staff recommend continued membership with Toronto Global as a “Municipal Collaborator”. This allows a large share of the budget to be directed towards a “made in York Region” FDI partnership framework. It will result in direct funding and professional support of local municipal FDI attraction or investment readiness projects and priorities.

Consultations on the new approach with local municipalities over the next few months will define the criteria, funding application process and reporting process for local municipal FDI initiatives. The new Regional FDI framework will be fully rolled out in early 2023 and reported on annually as part of the Economic Development Action Plan update.

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

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Attachment (1)
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