

Clause 5 in Report No. 9 of Committee of the Whole was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on May 17, 2018.

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Toronto Global 2016 to 2018 Results

Committee of the Whole recommends:

1. Receipt of the deputation by Toby Lennox, President and Chief Executive Officer, Toronto Global.
2. Adoption of the following recommendation contained in the report dated April 27, 2018 from the Commissioner of Corporate Services and Chief Planner:
 1. Council receive this report for information.

Report dated April 27, 2018 from the Commissioner of Corporate Services and Chief Planner now follows:

1. Recommendation

It is recommended that Council receive this report for information.

2. Purpose

This report provides an update on the progress and benefits of Toronto Global to York Region, as directed by Council in March of 2016.

3. Background and Previous Council Direction

York Region is a top destination for foreign business investment in the Greater Toronto Area, Ontario and Canada

Foreign companies continue to be an important factor behind York Region's strong economic growth, accounting for a significant share of local jobs and business investment. The Region is home to an impressive list of foreign

companies, many of which are the leaders in their industries. A sample of these companies include IBM, AMD, Huawei, Aviva, Honda, Johnson & Johnson, GM, Oracle, Toshiba, Philips, Siemens, GE, Allstate, Lexmark, Hyundai, Staples, Mazda, Lenovo, Digital Realty, FedEx, Levi's, and Adidas, to name a few.

There are over 500 foreign companies operating in York Region providing over 50,000 local jobs, or close to one in ten of all jobs in the Region. Proximity to Toronto and competition for professional talent in knowledge-based sectors positions York Region as a top destination for foreign direct investment (FDI) in Canada. Key drivers behind the Region's continued success in attracting FDI include talent attraction driven by quality of life, investments in transit and infrastructure, growth in core business clusters, competitive business costs within the GTA and a supportive economic development environment.

Attracting foreign investment requires a range of dedicated programs and resources

There is strong global competition to attract foreign investments as companies have many choices when it comes to deciding on a new location. While some foreign investments occur without influence from governments, jurisdictions can and do influence many location decisions both directly and indirectly through programs including infrastructure investments, marketing, direct-to-business outreach and incentives. Research shows that successful jurisdictions typically engage in a multi-faceted approach to investment attraction, requiring a commitment to dedicated programs and resources to achieve results.

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

At Council's direction, York Region formally 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 FDI attraction in the GTA was undertaken by the agency through 2014 and 2015.

The resulting "Greater Toronto Marketing Alliance Roadmap to Revitalization" report recommended the creation of a new FDI 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

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 is limited to identifying and attracting new investments from foreign companies not currently located in the GTA.

The agreement is for a three year term ending March 31, 2019, with the expectation that all the funding partners would provide their funding shares for the full three year term. The agreement may be extended beyond that date under terms and conditions to be agreed upon by the funders. The negotiations for extension would be triggered by a request from one of the parties that must be received no later than December 31, 2018. Unless extended by mutual agreement of the parties, the agreement ends on March 31, 2019.

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.

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	\$6,980,967

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.

Under the agreement, funding municipalities receive a seat on the Mayors and Chairs Strategy Council as well as representation on the Economic Development Officer Working Group. These two bodies provide strategic direction and advice to the private sector, Toronto Global Board of Directors and Toronto Global staff respectively. As funders, the six municipal entities are also afforded direct access to participation in Toronto Global programs and promotions.

Council directed that Toronto Global provide annual updates, and that progress and benefits be reported by staff in 2018

As part of Council's direction, reporting on the planning, progress and benefits of the new organization is to include:

- Toronto Global attend Regional Council on an annual basis to outline its strategy and business plan
- Staff report back in 2018 on progress and benefits of the Agency to York Region

A presentation to Council will be provided by the President and CEO of Toronto Global to provide an update to accompany this report.

4. Analysis and Implications

York Region entered into partnership with Toronto Global to meet several key investment attraction objectives

Based on the "Roadmap to Revitalization" report and to meet its own needs, York Region entered into partnership with Toronto Global with the expectation of meeting the following objectives:

- significantly increased FDI job creation in the GTA
- more robust global marketing of the collective 'Toronto' brand
- more aligned international investment attraction activities across the GTA
- meaningful FDI job creation in York Region over and above organic growth and municipal programs
- increased visibility for York Region's unique business advantages

The following sections provide an update on how Toronto Global has performed against these objectives.

Toronto Global is beginning to facilitate foreign investments and associated job creation in the Toronto Region

Toronto Global is expected to drive significantly more FDI and associated job creation across the Greater Toronto Area than its predecessor organization, the GTMA. Since 2016, Toronto Global has facilitated 27 investments across the Toronto region representing close to 1,200 jobs. The 27 investments over two years equate to the average number of investments facilitated annually by the GTMA over the 18 years they were in operation. However, it should be noted that almost all of Toronto Global investments were secured in 2017 once they were closer to full operating capacity. The highest number achieved in one year by the GTMA was 25 investments.

Toronto Global has yet to generate meaningful foreign investments in York Region

A key rationale for York Region's significant increase in funding for Toronto Global compared to its predecessor agency the GTMA is the expectation for increased direct investments and job creation in York Region. A January 2018 research paper published by Toronto Global and the University of Toronto entitled "Collaborating for Investment Attraction in the Toronto Region" notes that the host jurisdiction typically sees the greatest share of economic benefits associated with any FDI project through increased employment, labor income, municipal taxes, supply chains, local spending etc.

Since 2016 Toronto Global has helped facilitate two business investments (SATA and Regalead) representing up to 20 jobs in York Region. This represents less than two per cent of the total estimated FDI job creation facilitated by Toronto Global during this period across the GTA. The majority of Toronto Global investments have located in the City of Toronto.

York Region and local municipalities are facilitating foreign direct investments

The job creation results through Toronto Global in York Region are in sharp contrast to overall FDI investments and jobs landed in the Region over the same time period. Table 2 summarizes publicly announced FDI investments in York Region since 2016. Eighteen publicly announced foreign business investments have been identified in York Region, including expansions, relocations within the GTA, and new investments into the GTA. The list does not include foreign-owned relocations within York Region such as Under Armour or Harley-Davidson, or acquisitions of local companies by foreign companies, which collectively also account for a significant amount of activity.

Eleven of the investments in Table 2 are new to the Greater Toronto Area representing close to 2,000 new jobs in York Region and the GTA. Notable new companies include General Motors Canadian Technical Centre Markham campus, Accion Labs, CleNET and DuPont Fabros Technology.

Table 2
Publicly Announced Foreign Direct Investments in York Region
2016 to March 2018

Company	Location	Sector	Jobs
Aviva Insurance Canada	Markham	Finance & Insurance	1,500
General Motors Canadian Technical Centre Markham campus ¹	Markham	Information Communications Technology (ICT)	700
FedEx Ground Services ¹	Vaughan	Warehouse/Logistics	400
Mobis Parts Canada/Korea Corp. (Hyundai) ¹	Markham	Automotive Parts/Logistics	300
CleNET ¹	Markham	ICT	100 (over 3 years)
Lytix Canada	Markham	ICT	40
Citrix Systems Canada	Markham	ICT	30
Alexander Dennis ¹	Vaughan	Automotive Parts	19
SATA Canada ²	Vaughan	Machinery/Warehouse	15 (over 3 years)
Newegg Hybrid Centre	Richmond Hill	ICT	8
Regalead ²	Vaughan	Construction Materials/Warehouse	5 (over 3 years)
Accion Labs ¹	Markham	ICT	Not reported
Turbonomic	Markham	ICT	Not reported
Murata Power Systems	Markham	ICT	Not reported
DuPont Fabros Technology (DFT)(a Digital Realty company) ¹	Vaughan	ICT	Not reported
OVH Group ¹	Markham	ICT	Not reported
Watson-Marlow Fluid Technology ¹	Vaughan	Energy & Environment/Machinery	Not reported
Mimaki USA ¹	Vaughan	Business Services	Not reported

¹Denotes new investments to the GTA in York Region vs expansions/relocations within the GTA

²Denotes a new investment to the GTA in York Region facilitated by Toronto Global

Local municipalities play a key role in supporting all of these investments at various stages from site selection through development approvals and permit issuance.

Through the Economic Strategy office, York Region has directly facilitated several of these investments in partnership with the local municipality, including General Motors and CleNET. These two investments alone represent 800 new jobs in the Region.

Toronto Global has raised international exposure of the 'Toronto' brand, primarily through the Amazon HQ2 Bid

Unified and robust marketing of the internationally recognized 'Toronto' brand supports Toronto Global's own investment attraction sales activities and facilitates business attraction for all GTA municipalities and stakeholders.

Toronto Global's impact to date on the marketing and promotion of the 'Toronto' brand globally has been positive. This is primarily a result of the significant visibility generated by the publicly released bid for Amazon's second North American headquarters (Amazon HQ2), and the subsequent inclusion of the Toronto Region among the 20 shortlisted metropolitan jurisdictions. The bid resulted in significant interest including on-line and traditional media coverage of Toronto as a major business and technology hub, particularly by major U.S. media outlets.

Visibility for York Region and its local municipalities unique business assets and value propositions under the current Toronto Global model is limited

As noted in a report to Council on March 10, 2015, Toronto Global is expected to promote the 'Toronto' brand internationally while selling assets that are attractive to investors across the GTA, including York Region. While marketing of the "Toronto Region" is essential to Toronto Global's marketing and sales efforts, this model is not providing the adequate exposure and visibility for York Region and its local municipalities originally expected by the partnership. This was exemplified by Toronto Global's recent bid and marketing campaign for Amazon HQ2 that included notable errors, omissions, and a lack of visibility for proposed sites in York Region and its local municipalities.

Since the bid was submitted to Amazon, York Region has not been involved in the Amazon HQ2 Phase 2 bid process. Toronto Global, under a non-disclosure agreement with Amazon, has been handling all follow up responses, and coordinated an Amazon bid team site visit in mid-March with the office of the Mayor of the City of Toronto.

Since establishment of Toronto Global in 2016, most municipal funding partners have continued or increased their independent international programs, creating pressure on York Region

Toronto Global was created in part to take the lead on international investment attraction activities in specific industrial sectors and/or international markets in order to leverage a united “Toronto Region” brand in a more coordinated manner. This was in response to issues raised regarding the myriad of organizations in the Greater Toronto Area, provincially and federally working on foreign investment attraction, resulting in brand confusion, duplicated efforts and missed opportunities.

Since establishment of Toronto Global in 2016, most municipal funding partners have continued their independent international programs in key markets in the U.S., Asia, Europe, Latin America and the Middle East, in parallel to membership in Toronto Global. For example, the City of Toronto spearheaded an independent promotional campaign targeting the technology sector under a separate brand, the “Toronto-Waterloo Corridor”, in partnership with agencies such as MaRS Discovery District, the Toronto Region Board of Trade, and the City of Kitchener. This resulted in parallel and competing international missions and media relations.

York Region has not led significant FDI initiatives in recent years based on its partnership and funding agreement with Toronto Global. The Region’s program focuses on limited engagements in the U.S. information and communications technology market, the largest source of foreign direct investments in the Region. The Region also supports the foreign market outreach of local municipalities in York Region. Municipalities including Markham, Newmarket, Richmond Hill and Vaughan have formal active trade and investment attraction programs targeting a wide range of international markets. York Region provides marketing and market intelligence support, and participates directly on request where appropriate.

Independent municipal FDI programs by other Toronto Global funders creates pressure on York Region to increase its own international marketing activities to maintain visibility for the Region and its local municipalities in key international markets. Taking this approach would result in higher total spending on international investment attraction marketing in York Region, over and above funding already provided to Toronto Global.

A direct relationship between Toronto Global and local municipalities is critical for collaboration, exposure, and accountability

In addition to funding, York Region staff provides extensive operational support to Toronto Global to help meet the goals of both parties. York Region economic

development staff are an active partner with a strong relationship to Toronto Global staff, providing resources, knowledge, advice and leveraging local municipal and private sector relationships. York Region currently acts as an intermediary between Toronto Global and the Region's local municipalities.

Like other lower tier municipal funders of Toronto Global, local municipalities in York Region have unique FDI business attraction assets and value propositions. As previously noted, some also have their own active international programs and long standing relationships in key markets including China, India, Italy, Israel, U.S., Japan, Scandinavia and Germany. Most of these international markets are also target markets of Toronto Global. It would be beneficial to all parties to have interested local municipalities more directly engaged with Toronto Global to improve coordination of activities and more effectively utilize resources, while increasing regional and local municipal exposure on the global stage.

In the first two years of Toronto Global there have been human resource limitations that precluded any significant opportunities with non-funding local municipalities. As Toronto Global achieves full program and staffing levels there is an opportunity to explore more direct local municipal engagement in programs.

York Region needs to review the current model for foreign direct investment attraction

York Region is at an important juncture in its development as a location for major global investment. The Region has achieved a critical mass of high growth companies and talent in key knowledge based sectors, supported by major investments in infrastructure and emerging urban lifestyle communities. Recent foreign investments and the Amazon HQ2 proposal highlight the attractiveness of York Region to global investors. As noted previously, a multi-faceted approach is necessary to compete and drive investment attraction success.

While participation in Toronto Global does help raise York Regions profile within the GTA context, funding such an agency has not resulted to date in direct foreign investments and jobs. Over the 20 years York Region has funded both the Greater Toronto Marketing Alliance and Toronto Global, less than 100 jobs have directly resulted from the close to \$2.4 Million total investment by the Region.

There is a need to review the current foreign direct investment model in the Region. It is important to leverage the relationships with local municipalities, Toronto Global, and other groups and agencies to ensure York Region and its local municipalities are maximizing their exposure and job growth in the most effective manner. Both the upcoming review of the Toronto Global agreement and the initiation of the next Economic Development Action Plan review in 2019 afford Regional staff and partners the opportunity to examine how best to proceed.

5. Financial Considerations

The Regional Municipality of York currently funds Toronto Global in the amount of \$329,389 annually, and is in the last year of the three year commitment under the agreement. The 2016 to 2018 funding for the organization has been included in the approved Planning and Economic Development budgets.

6. Local Municipal 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. A number of municipalities in York Region have active outreach programs to international markets, particularly to those with strong connections in the local communities. York Region has provided some support through provision of market intelligence and/or direct participation in these local activities when requested to do so by the municipality. Since its formation in 2016, Toronto Global has not had the capacity to directly support or leverage these local outreach programs, although some dialogue has commenced in this regard.

Interest has been expressed by the economic development offices of several local municipalities to consider an expanded Region-local joint effort to raise the profile internationally of the Region as a place to invest. This is viewed as important so that local municipalities remain relevant in the current investment attraction environment relative to other local municipalities with active programs in the GTA.

7. Conclusion

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

Since its 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 meaningful foreign investments and jobs in York Region.

York Region needs to review its current foreign direct investment model to ensure the Region and its local municipalities are maximizing their international exposure and business attraction in the most effective manner.

For more information on this report, please contact Doug Lindeblom, Director, Economic Strategy at 1-877-464-9675 ext.71503.

The Senior Management Group has reviewed this report.

April 27, 2018

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Accessible formats or communication supports are available upon request