



# **ECONOMIC DEVELOPMENT FUNCTION SERVICE MODEL REVIEW**

## **FINAL REPORT**

This *Final Report* has been prepared by Neilson Strategies Inc. for the City of Nanaimo. The document is presented for discussion with, and for the sole use of, the City. No representations of any kind are made by the consultants to any party with whom the consultant does not have a contract.



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## TABLE OF CONTENTS

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<b>1. INTRODUCTION .....</b>	<b>1</b>
City of Nanaimo .....	1
Service Review .....	1
Consultant's Approach .....	2
Final Report .....	2
Regional District Study .....	3
<b>2. ECONOMIC DEVELOPMENT IN NANAIMO .....</b>	<b>5</b>
City of Nanaimo Function .....	5
Economic Development and Tourism Department .....	5
Nanaimo Economic Development Corporation .....	6
Nanaimo Economic Development .....	7
Other Agencies .....	7
Summary of Services Provided .....	13
<b>3. CITY OF NANAIMO SERVICE SCOPE .....</b>	<b>15</b>
Gaps and Opportunities .....	15
<b>4. CITY OF NANAIMO SERVICE MODEL .....</b>	<b>19</b>
Service Model Options .....	19
City of Nanaimo Service Model Scenarios .....	19
Scenario 1: Economic Development Department .....	20
Scenario 2: Nanaimo Prosperity Agency Model .....	21
Scenario 3: Economic Development Contract Model .....	22
Scenario 4: In-House/City-Owned Agency Hybrid Model .....	24
Scenario 5: In-House/Contract Hybrid Model .....	25
Assessing the Service Model .....	26
Assessment Matrix .....	28
Review with Governance and Priorities Committee .....	29
<b>5. RECOMMENDATIONS .....</b>	<b>33</b>
Recommendations .....	33
Scope of Services .....	33
Service Delivery Model .....	34

## APPENDICES

<b>Appendix I</b>	Summary of Interview Findings
<b>Appendix II</b>	Open House Poster Boards
<b>Appendix III</b>	Models Used in Other Centres

ECONOMIC  
DEVELOPMENT  
SERVICE MODEL

FINAL REPORT

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## CHAPTER 1 INTRODUCTION

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In broad terms, economic development can be described as the services provided, investments made, activities performed, and efforts taken to increase the level of prosperity enjoyed by people in the community. Economic development is about generating wealth; it is also about providing opportunities for people of all backgrounds and socio-economic groups to participate in the economy and achieve a high quality of life. Prosperity and quality of life for all are necessary components of a healthy community.

In many centres, different agencies in the public, private, and non-profit sectors undertake important activities, and provide key services, designed to advance the community's level of economic development. Local governments in these centres often play important economic development roles in the delivery of basic services and infrastructure, but also in leading the creation of economic development strategies, and in establishing formal economic development functions to provide specific economic development services.

### **CITY OF NANAIMO**

The situation in Nanaimo is similar to that of other places. Numerous agencies provide services that contribute towards the community's economic development, and that comprise parts of the broader economic development service landscape. The City of Nanaimo is active through its important local government services, but also directly through the services provided under its economic development function.

The City has had its own economic development function in place since the mid-1980s. For several years, the function was provided in-house by City staff through a separate Economic Development Department. In 2010, however, the City took a different approach. In that year, Council decided to combine economic development with tourism and deliver the service through a separate, municipal corporation with its own Board of Directors. This corporation, called the Nanaimo Economic Development Corporation (NEDC), was established in 2011.

In the fall of 2016, Council gave direction to cease operations at the NEDC and dissolve the corporation. Tourism development and promotion services were contracted to Tourism Vancouver Island (Tourism VI); economic development was streamlined and moved back in-house under the City's Community Planning Department, where it exists today.

### **SERVICE REVIEW**

City Council wishes to increase the level of support for the City's economic development function, effective 2020. Council wishes, as well, however, to examine

new funding levels in the context of a broader review that determines:

- the specific scope of services that should be included in an enhanced economic development function
- the preferred service model through which the function should be delivered

Neilson Strategies Inc. (the consultant) was retained in late May, 2019, to conduct a review of the City's economic development function focused on these points.

### Consultant's Approach

The consultant conducted the review using a five-stage approach:

- *Stage One: Background Research* — The consultant undertook background research to identify the various agencies involved in different facets of economic development in Nanaimo. Research was also conducted to identify and fully understand the local government economic development service models in place in Canada today.
- *Stage Two: Interviews* — Over a three-week period in June, 2019, twenty interviews were held with representatives of all sectors, as well as the Snuneymuxw First Nation, to discuss existing economic development efforts in the community, and to understand the views of community leaders on the preferred scope of, and service delivery model for, the City's economic development function. Interviewees were brought together at the end of June for a two-hour workshop discussion on these points.<sup>1</sup>
- *Stage Three: Community Engagement* — A public open house was held to introduce economic development and to highlight service delivery models to consider.<sup>2</sup> An online public survey was published on the City's website.
- *Stage Four: Interim Report* — The findings from the research, interviews, group discussion, and public feedback were used to produce an *Interim Report*. The *Interim Report* set out options for consideration but did not provide recommendations. It was presented to Council's Governance and Priorities Committee for discussion in a workshop setting on July 29, 2019.<sup>3</sup>
- *Stage Five: Final Report* — Based on the July 29 discussion with Committee members, the consultant produced this *Final Report* for presentation to the Governance and Priorities Committee on August 26, 2019. The *Final Report*, it is expected, will inform the development of the City's *2020-2024 Financial Plan*.

<sup>1</sup> *Appendix I* provides a summary of the interview findings as they relate to preferred scope and model.

<sup>2</sup> *Appendix II* presents copies of the poster boards used at the public open house.

<sup>3</sup> The Committee is comprised of all members of Council.

## Final Report

This document constitutes the *Final Report* that was presented to the Governance and Priorities Committee at the end of August. Similar to the earlier *Interim Report*, the *Final Report* begins with an overview of the various economic development services, and the agencies involved, in Nanaimo today. The City's own economic development function is included in this overview. The report then identifies a set of economic development services in which the City may wish to consider playing a role. This suggested scope of services emerged from the various interviews and group discussion with community leaders, and was reviewed with Council's Committee in July, 2019. Alternative service models through which an enhanced City function could be delivered are outlined and assessed. Recommendations on a preferred scope of services and service delivery model are presented for the City's consideration.

The overview of current economic development agencies and the City's own existing function in this *Final Report* is largely unchanged from the information presented in the *Interim Report*. The discussion on potential economic development services for the City's new function, and the assessment of alternative service delivery models, are also largely unchanged. Where the *Final Report* departs from the interim version begins at the end of Chapter 4 with commentary from the review of the interim document with the Governance and Priorities Committee. The recommendations presented in the report's final chapter were informed by the Committee's review.

## REGIONAL DISTRICT STUDY

Before turning to the body of the report, it should be noted that the Regional District of Nanaimo (RDN) recently undertook a study to explore the level of interest throughout the RDN — including in the City of Nanaimo — in establishing some type of regional economic development function. In order to minimize any confusion on the part of economic development stakeholders and others in Nanaimo, the Regional District has postponed completion of its study until after the City's *Service Model Review*.

During the consultation for the City's *Service Model Review*, interviewees were asked to comment on the possibility of adopting a regional approach to economic development, through the establishment of a regional district service, in place of an expanded City function. Interviewees responded, almost unanimously, that:

- coordination of local efforts under a broad regional (or mid-Island) economic development strategy is important
- before considering any development of a regional (or super-regional) approach, the City should deal with the need for a new City-based economic development function
- the City's function that emerges from the City's *Service Model Review* can be incorporated into a broader regional framework

Given these views, and the RDN's decision to postpone the completion of its own study, this *Interim Report* focuses on the City of Nanaimo, and does not comment on the potential for a regional approach.

## CHAPTER 2

# ECONOMIC DEVELOPMENT IN NANAIMO

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In Nanaimo, various agencies and organizations in the public, private, and non-profit sectors are active in economic development. Over the course of the assignment, the consultant interviewed leaders in a number of these agencies to:

- fully understand the economic development services provided, or roles played, by agencies
- identify how agencies complement and/or overlap with one another
- identify economic development service gaps that may exist
- understand individuals' perspectives regarding the possible roles for the City in economic development, and the preferred service model

The possible roles and preferred service model for the City are explored later in the report (see Chapters 3 and 4). This chapter profiles the various agencies and organizations that are active in the community today, and identifies their economic development activities. The chapter begins, however, by profiling the City's own economic function as it has evolved over the past three decades.

### CITY OF NANAIMO FUNCTION

As noted earlier, the City of Nanaimo first established a formal economic development function in the mid-1980s. The scope of the function and the model through which it has been delivered have changed since that time.

#### Economic Development & Tourism Department

For several years beginning in the 1980s, the function was provided in-house by City staff in an Economic Development and Tourism Department. The department provided a range of economic development services, including:

- research and analysis on economic factors, trends, and opportunities to support and grow the City's business sector
- development of relationships and partnerships with other local organizations involved in building the economy
- business retention and expansion programs
- support for entrepreneurs and start-ups seeking to build businesses in Nanaimo
- business attraction activities, including marketing and promotion
- development of tax and other local government incentives to promote economic growth

Staff undertook, as well, various destination development activities to promote Nanaimo as a tourism destination; however, other tourism-related activities were contracted by the City to the Tourism Nanaimo Society. Through a separate fee-for-

service contract with Film Nanaimo, the department also supported efforts to promote Nanaimo to the film industry.

At its height, the department had an annual budget of \$1.1 million, was headed by a senior manager (Director), and was staffed by a total of five (5) full-time employees, (including the Director). Three (3) of the employees were identified and funded as economic development staff; two (2) were dedicated to tourism destination development.

In the late 1990s and early 2000s, the Economic Development Department developed and provided support to an external economic development stakeholder forum, known as the Economic Development Group, or "EDGe". EDGe brought together leaders from all sectors in the community to identify economic development priorities intended to guide the City's efforts. It provided strategic advice to the City, and also served as a sounding board for the Economic Development Department. The City's Director of Economic Development participated in EDGe discussions.

### **Nanaimo Economic Development Corporation**

In 2010, the City moved its economic development function from the in-house department to a separate City-owned corporation. The Nanaimo Economic Development Corporation (NEDC) was incorporated in June, 2011, as a not-for-profit corporation, wholly-owned and largely-funded by the City.<sup>4</sup> It was governed by its own Board of Directors that consisted of seventeen members to represent key businesses, the post-secondary sector, First Nations and other groups. All members were appointed by Council; Council, itself, was not represented on the Board.

NEDC was developed as a multi-service economic development and tourism corporation. Under economic development, the corporation provided a diverse set of services that included:

- research and analysis on economic issues to support and grow the City's business sector
- marketing and promotion efforts designed to attract new businesses and investment to Nanaimo
- support for new arrivals to Nanaimo
- programs, workshops and other efforts aimed at helping existing businesses succeed and expand
- support for entrepreneurs and start-ups (sector specific and general)
- efforts to develop and foster relationships with other service providers

Tourism services were equally diverse, and included marketing campaigns, media relations and familiarization ("fam") trips, the operation of the visitor centre, the

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<sup>4</sup> The NEDC received \$164,000 each year from the Regional District of Nanaimo to provide economic development and tourism services to Electoral Areas A, B, and C.

development of publications and brochures, and support for cruise ships, events, and conferences.

NEDC operated from office space outside of City Hall in Downtown Nanaimo. The corporation had four (4) full-time economic development staff, five (5) full-time tourism staff, and additional part-time and seasonal tourism employees. City funding for NEDC was \$1.385 million in 2016.

### **Nanaimo Economic Development**

In late 2016, Council decided to dissolve the NEDC. Council contracted the delivery of key tourism-related services to Tourism Vancouver Island (Tourism VI) under a fee-for-service agreement that was recently extended until 2024. The City's economic development function was brought back in-house for delivery by City staff. The earlier Economic Development Department was not re-established as the delivery vehicle; instead, a smaller, streamlined economic development office — presented under the brand "Nanaimo Economic Development" — was developed within the City's Community Planning Department.

Nanaimo Economic Development has limited resources available to provide economic development services — the office is staffed by a single Economic Development Officer. Within its reduced scope of services, the office works to:

- collect and assess various economic, demographic, labour force and related data
- produce a range of reports and materials using key data to highlight Nanaimo's competitive advantages as a centre for business and investment
- provide referrals to existing businesses, start-ups and prospective businesses to address information requests, obtain assistance (e.g., in developing business plans), or access funding
- assist existing and prospective businesses in accessing City services
- initiate and assist with the development of incentives and other City policies aimed at strengthening the business environment

The 2019 budget for Nanaimo Economic Development is a modest \$0.13 million.

### **OTHER AGENCIES**

Key agencies and organizations that are involved in economic development in Nanaimo today are profiled in Figure 2.1 (agencies are listed in alphabetical order). The roles played and services provided by each agency are explained. It is important to note that the agencies in the figure do not represent the full set of organizations involved in some way in the community's economic development. Figure 2.1 does, however, capture most of the key agencies that are active today.

**Figure 2.1  
Economic Development Agencies in Nanaimo**

Agency	Role in Economic Development
<p>Central Vancouver Island Multicultural Society</p>	<p>The Central Vancouver Island Multicultural Society (CVIMS) works to help newcomers join and succeed in the local economy. CVIMS provides language, employment, and other services to newcomers who wish to settle in Nanaimo (or in another Central Vancouver Island community), including newcomers who wish to start businesses. The Society also offers programs and supports to help local employers connect with skilled and qualified newcomers.</p> <p>One group of newcomers that works with CVIMS is international students who have completed their training at local post-secondary institutions (in particular, Vancouver Island University), and who wish to remain in the community, start businesses, and enter the workforce.</p> <p>CVIMS belongs to the Local Immigrant Partnership — a consortium of organizations committed to making Nanaimo welcoming to newcomers. Advice and programs are offered to address newcomers' training and skill development needs, health care needs, and others.</p>
<p>Coast Community Credit Union</p>	<p>Coastal Community Credit Union (CCCU), headquartered in Downtown Nanaimo, is the largest Vancouver Island-based financial services organization, and the largest private-sector employer in the city. It provides various types of financing to new and established businesses in Nanaimo and throughout the Credit Union's service area.</p> <p>CCCU is an active supporter of various local economic development organizations and their efforts. It is a sponsor, for example, of the Local Entrepreneur Accelerator Program (LEAP) provided by Community Futures Central Island (see below). It was active in the Nanaimo Economic Development Corporation, and participates today in the Mid-Island Business Initiative.</p>
<p>Community Futures Central Island</p>	<p>Community Futures helps local entrepreneurs start businesses (i.e., start-ups), and works with existing business owners to strengthen and expand established small-to-medium businesses. Business succession plans for existing businesses are an additional focus of Community Futures.</p> <p>Community Futures' efforts are aimed at diversifying local economies, creating and maintaining employment, and building the entrepreneurial ecosystem. Community Futures also aims to support "business drivers" — that is, businesses that produce</p>

Agency	Role in Economic Development
	<p>goods and services for sale to markets outside of Central Vancouver Island.</p> <p>One program offered by Community Futures is the "Entrepreneur in Residence". This program gives entrepreneurs and existing business owners the opportunity to get advice from a successful entrepreneur. Another program is the Local Entrepreneur Accelerator Program (LEAP). LEAP is an eight-week program aimed at helping small groups of entrepreneurs launch new businesses. It is described as "boot camp for early-stage ventures".</p> <p>As part of its business development services, Community Futures helps start-ups and existing businesses secure financing. Community Futures is the steward of a \$6 million loan fund, which the organization uses to provide repayable funding to businesses for working capital, equipment purchase or lease, and business purchase or expansion. The organization specializes in business loans with customized re-payment schedules. It helps to fill the funding gap, but also works to leverage funds with other community lenders (e.g., Coast Community Credit Union).</p> <p>Community Futures' programs are, to some degree, targeted to reflect priorities identified by the job creation and diversification goals of Western Economic Diversification Canada (WEDC), which provides 60% of Community Futures' funding. The programs are primarily targeted, however, to meet local economic development goals and community needs.</p> <p>Community Futures' service area includes all of Central Vancouver Island.</p>
<p>Innovation Island Technology Association</p>	<p>Innovation Island exists to "support entrepreneurs to start and grow technology companies by providing them with programs and resources they need to succeed." Innovation Island bills itself as a "Startup Accelerator". It delivers Innovate BC's <i>Venture Acceleration Program</i>, which gives tech entrepreneurs who wish to commercialize their technology access to business and technology experts known as "Executives in Residence".</p> <p>Innovation Island's service area includes the whole of Vancouver Island north of Greater Victoria.</p>
<p>Mid-Island Business Initiative</p>	<p>The Mid-Island Business Initiative (MIBI) is a member-funded, not-for-profit organization that works to attract businesses to the Mid-Island region, help interested businesses to learn about the region and its advantages, and help new businesses that choose to relocate to the area get connected to the region's business community.</p>

Agency	Role in Economic Development
	<p>MIBI was formed following the dissolution of the Nanaimo Economic Development Corporation to fill the resulting gap in business attraction efforts. MIBI also serves as a forum for its members from the private sector, post-secondary sector, First Nations, and others (e.g., Nanaimo Port Authority, Nanaimo Airport) to exchange information and identify economic development needs, opportunities, and priorities.</p> <p>In the spring of 2019, MIBI developed the Manufacturers Technology Entrepreneurship Council (MTEC) — also known as Tech Nanaimo — to promote the development of the technology sector in Nanaimo. In response to a request from MIBI, the City provided \$48,000 in funds to support the work of MTEC for a six month term.</p>
Nanaimo Chamber of Commerce	<p>The Nanaimo Chamber of Commerce provides various business retention and expansion services to its members — that is, services aimed at helping existing business to succeed and grow. Networking events and educational programs for Chamber members (and prospective members) are key examples. The Chamber also:</p> <ul style="list-style-type: none"> <li>– advocates on behalf of its members for public policy changes to improve the business environment</li> <li>– organizes, in partnership with the City, the Commercial Street Night Market to promote Downtown Nanaimo and its businesses</li> <li>– publishes a business resource and relocation guide titled <i>Nanaimo Business Resource</i></li> <li>– assists new businesses (i.e., new arrivals) access City Hall departments and other resources</li> </ul>
Nanaimo Hospitality Association	<p>The Nanaimo Hospitality Association (NHA) is a not-for-profit industry group that works with other tourism stakeholders to promote Nanaimo as a tourism destination. The organization is the designated recipient through Destination BC of Municipal and Regional District Tax (MRDT) revenues that are generated from the sale of overnight accommodation in Nanaimo. Spending priorities for the funds are identified by the NHA in collaboration with Tourism VI and others.</p>
Nanaimo Airport YCD	<p>Nanaimo Airport YCD promotes and facilitates the movement of people and goods to and from Nanaimo. It both generates and contributes to economic growth through its operations and its investments in airport capacity. YCD participates in the Mid-Island Business Initiative.</p>
Nanaimo Port Authority	<p>The Nanaimo Port Authority (NPA) is the federal agency responsible for growing and operating the Port of Nanaimo. The</p>

Agency	Role in Economic Development
	<p>NPA is a major economic generator in the community, both through its efforts to facilitate the movement of goods and people, and through its strategic investments in new economic initiatives.</p> <p>The NPA recently opened a vehicle processing centre as a facility to prepare imported vehicles for the Canadian market. The agency is pursuing short-sea shipping opportunities, as well as the expansion of its Duke Point facility, the further development of logistics hubs, and growth in the export of value-added products. The NPA is a member of the Mid-Island Business Initiative.</p>
<p>Petroglyph Development Group</p>	<p>The Petroglyph Development Group (PDG) is the economic development arm of the Snuneymuxw First Nation (SFN). PDG is a separate corporation, owned by the SFN, that establishes and oversees the management of SFN companies, including:</p> <ul style="list-style-type: none"> <li>– Petroglyph Forestry</li> <li>– Saysutshun / Newcastle Island</li> <li>– Saysutshun Ferry Service</li> <li>– Petroglyph Properties</li> <li>– Snuneymuxw Market Gas Bar</li> <li>– First Nations Canna Corporation</li> </ul> <p>PDG works in collaboration with other business and economic development groups to identify and pursue initiatives aimed at building and sustaining wealth for the Snuneymuxw, creating jobs, and developing skills — all within a broader context that emphasizes the importance of sustainability for future generations of Snuneymuxw Mustiyuwx. One of PDG's five objectives focuses on building relationships.</p>
<p>Regional District of Nanaimo</p>	<p>In the southern half of the Regional District, RDN provides an economic development service in Area B (Gabriola Island) through the Southern Communities Economic Development service. The Gabriola Chamber of Commerce delivers the service, which focuses on tourism attraction. As noted earlier, RDN is exploring the potential of a new regional service.</p>
<p>Tourism Vancouver Island</p>	<p>Tourism Vancouver Island (Tourism VI) is contracted by the City to promote Nanaimo as a tourist destination, and to provide professional development, digital readiness, networking, and other programs aimed at strengthening the businesses that comprise Nanaimo's tourism sector. All of Tourism VI's work for the City is performed under the Tourism Nanaimo brand.</p> <p>Tourism VI hosts a monthly tourism roundtable to discuss tourism trends, challenges, and opportunities. The roundtable</p>

Agency	Role in Economic Development
	<p>includes key stakeholders such as the Nanaimo Port Authority, Snuneymuxw First Nation, Vancouver Island Conference Centre, Nanaimo Airport, and the Nanaimo Hospitality Association. The group was formed to assist in developing Tourism VI's response to the City's tourism contract request for proposals — a response that, once endorsed by the City, became the <i>de facto</i> tourism strategy to guide efforts.</p> <p>Tourism VI works closely with the Nanaimo Hospitality Association on digital readiness, marketing, and other services for the accommodation providers that belong to the NHA. The NHA contracts Tourism VI, as well, to write the business plan required by Destination BC to receive annual MRDT revenues for use in tourism marketing and related programs.</p>
Vancouver Island Conference Centre	<p>The Vancouver Island Conference Centre (VICC) is a City-owned convention centre and event venue in Downtown Nanaimo. The VICC notes that it "strives to create a positive economic impact" and "stimulate growth for the City" by attracting convention delegates and event participants to Nanaimo from across North America. The VICC undertakes its marketing and promotion in collaboration with other tourism industry stakeholders.</p>
Vancouver Island Economic Alliance <sup>5</sup>	<p>The Vancouver Island Economic Alliance (VIEA) promotes collaboration among communities, First Nations, businesses and other parties in the development of broad economic development programs that benefit the Vancouver Island region.</p> <p>The Alliance presents an annual "State of the Island Economic Summit", and produces the "State of the Island Economic Report". VIEA also undertakes a variety of other initiatives related to its priority areas. One initiative, called "Capturing Talent" brings together post-secondary institutions on the Island with the business community to develop opportunities for students who wish to stay in the region post-graduation.</p> <p>In 2018, VIEA succeeded in obtaining a Foreign Trade Zone Point designation for Vancouver Island (FTZ-VI). VIEA is the designated FTZ-VI champion, engaged in marketing the Island's export goods, attracting foreign trade and investment, and providing a streamlined, single-point of access to relevant federal government international trade programs.</p> <p>The FTZ-VI designation is expected to help expand and diversify the Island's advanced manufacturing sector, agri-food and seafood industries, and the level of international trade.</p>

<sup>5</sup> Efforts to interview VIEA staff were not successful. The information provided here comes from materials posted on the VIEA website.

Agency	Role in Economic Development
Vancouver Island North Film Commission	The Vancouver Island North Film Commission (INFilm) works to attract new business to Vancouver Island (north of Victoria) — specifically, businesses in the domestic and international film industries that are seeking locations for film, television and commercial productions. INFilm provides information on, and connects producers with, local crews, equipment, and services. The organization also provides supports to production companies once in the region, including assistance in navigating permitting processes, and liaising with the public and media.
Vancouver Island University	<p>Vancouver Island University (VIU) is a major Canadian post-secondary institution with close to 15,000 students. The University plays significant economic development roles in:</p> <ul style="list-style-type: none"> <li>– attracting students to the region from around the world</li> <li>– creating a skilled workforce</li> <li>– developing entrepreneurs through its MBA program</li> <li>– helping to match students and employers through the Centre for Experiential Learning, which hosts the University's Co-operative Education, Internship, and Indigenous Internship Programs</li> </ul> <p>In 2018, VIU established the VIU Initiatives Trust, a for-profit enterprise that invests in and develops income-generating initiatives to benefit the University and the VIU Foundation. The Trust expects to be active as an investor and partner in property development, entrepreneurial ventures, First Nation economic partnerships, social innovation enterprises, and other business opportunities. Through its investment activities, the Trust will allow VIU to play an even larger role than at present in Nanaimo's economic development.</p>
Young Professionals of Nanaimo	The Young Professionals of Nanaimo (YPN) is an organization, run by and for professionals under the age of 40, focused on helping its members develop professionally, and connect to one another and the broader community. One of the stated goals of the organization is to attract young professionals to the Nanaimo region; another is to help them stay in the region. Professional development programs, networking events, community involvement, and social networking are the group's four pillars.

**SUMMARY OF SERVICES PROVIDED**

It is clear from the information presented in Figure 2.1, and the profile of the City's own function, that there are many agencies in Nanaimo performing different economic development services aimed at building prosperity in the community. Figure 2.2 provides a simple matrix to summarize "who does what", as well as the range of functions performed.

An effort has been made in Figure 2.2 to highlight the main services provided by each the different agencies. Several of the agencies' efforts may expand beyond the services identified here into other service areas from time to time — lines between services, and definitions of services, are not always clear or fixed. It is worth noting, as well, that some agencies' efforts are targeted to businesses in specific industries (e.g., tech, tourism, etc.) rather than to businesses in the broader economy.

**Figure 2.2**  
**Summary Matrix**

Agency	Services									
	Economic Reporting	Labour Force Development	Navigate City Hall Processes	Business Start-Up Support	Financing	Bus. Retention & Expansion	Business Attraction	Strategic Investments	Forum for Priority-Setting	
City of Nanaimo	✓		✓			✓				
Multicultural Soc.		✓								
Coast Community					✓					
Community Fut.				✓	✓	✓				
Innovation Island				✓	✓	✓	✓			
MIBI							✓		✓	
Nanaimo Chamber			✓			✓				
INFilm			✓				✓			
NHA							✓			
Nanaimo Airport							✓	✓		
Nanaimo Port							✓	✓		
Petroglyph (SFN)		✓		✓		✓		✓		
Regional District <sup>6</sup>							✓			
Tourism VI				✓		✓	✓			
VICC							✓			
VIEA	✓	✓				✓	✓		✓	
VIU / VIU Trust		✓						✓		
YPN		✓								

<sup>6</sup> In the southern part of the Regional District, the RDN focuses on Gabriola Island.

## SECTION 3

### CITY OF NANAIMO SERVICE SCOPE

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The City of Nanaimo has expressed a desire to increase its level of support for economic development. The City wishes, specifically, to invest resources into a new economic development function, which would be introduced in 2020. A key purpose of the *Service Model Review* is to advise the City on the preferred service model, or structure, for the new function.

The structure for the function will be informed, to some degree, by the function's proposed scope of services. This chapter of the report speaks to the issue of scope.

#### GAPS AND OPPORTUNITIES

The City does not seek to duplicate or displace the efforts of the existing economic development agencies in Nanaimo. The City recognizes that, in many cases, existing agencies have the expertise, and have made the investments needed, to fulfill their respective mandates.

The City also recognizes, however, that there are certain service gaps in the economic development landscape, as well as opportunities for enhanced service provision. Not all of these gaps and opportunities are understood at this time; however, enough can be identified to suggest a starting scope for the City to consider.

Figure 3.1 identifies the gaps and opportunities that emerged from discussions with economic development agencies and community leaders, from the review of agencies presented in the previous section of the report, and from research conducted for the assignment on economic development services in other cities. Included in the figure are services already provided under the City's current (modest) function, Nanaimo Economic Development. These gaps, opportunities, and existing City services help to define a possible scope of service for the City's new function moving forward.<sup>7</sup>

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<sup>7</sup> It is important to note that scope of services presented in Figure 3.1 addresses the question of "what" the City could provide in terms of economic development. The scope says nothing about "how" the services should be delivered, or "who" should deliver them. These questions are explored in Chapter 4 of the report in the discussion on service delivery model, and are addressed further in the Chapter 5 recommendations.

**Figure 3.1**  
**Possible Scope of Services**

Gap/Opportunity	Detail
Economic Development Strategy	<p>The lack of a current economic development strategy for Nanaimo is the most serious gap to address; similarly, the development of such a strategy represents the most important need going forward. The City has a significant role to play in addressing this need. The role will need to include:</p> <ul style="list-style-type: none"> <li>– leadership on the part of Council to initiate, guide, participate in, and ultimately endorse the strategy</li> <li>– the provision of adequate funding for the process</li> <li>– the engagement of community champions and economic development leaders from a broad range of interests (private sector, post-secondary sector, First Nations, public agencies, non-profit agencies, others) in the endeavour</li> </ul>
Economic Reporting	<p>The City's existing function is well-regarded in the economic development field for its economic reporting capacity. The City has access to many sources of data, and a sophisticated geographic information system database. The data and this tool enable the City to produce a range of Nanaimo-specific reports on economic activity, performance, trends, opportunities and needs.</p>
Navigating City Hall	<p>At present, the City and Chamber of Commerce provide advice and assistance to existing and prospective business that need to work with City departments to obtain permits, licenses, and other permissions or information. INFilm also provides assistance, specifically for film production companies. The City should be the primary agency responsible for providing this service; added capacity would enable the City to meet existing and future needs.</p>
Contract Management	<p>The City currently assigns management of the Tourism VI contract to the Parks, Recreation and Culture Department. Given the importance of tourism to the City's economic development, it may make more sense to transfer contract management of the existing contract, as well as any future service contracts, to the City's economic development function.</p>
Policy Development	<p>As the local government with regulatory authority for land use planning and development, and with responsibility for a broad range of municipal services, the City has an important role to play in formulating policies aimed at facilitating economic activity and investment. Input by Economic Development staff into policy discussions is needed to ensure that business and economic considerations are taken into account in all key decisions.</p>

Gap/Opportunity	Detail
<p>Coordination of Efforts</p>	<p>The various agencies and organizations profiled in Section 2 of the report all have important roles to play in the community's ongoing economic development, and all make positive contributions to the overall economic development effort. To some degree, however, the organizations function in isolation of one another, without a full appreciation of what each other does, or of how different agencies could collaborate. There is a clear sense, expressed by many of the leaders interviewed, that coordination of the organizations' priorities and efforts would benefit both the organizations themselves and the community.</p> <p>The development of a new economic development strategy would help to achieve a high degree of coordination by setting out agreed-upon priorities, and clearly identifying "who does what". Also important for coordination would be the creation of ongoing forums to bring together leaders for strategic discussions on opportunities and needs as part of the strategy implementation.</p> <p>The Mid-Island Business Initiative, created upon the dissolution of the Nanaimo Economic Development Corporation, has helped in part to fill the need for an ongoing economic development forum. Other groups, such as the Vancouver Island Economic Alliance, have also brought groups together for strategic discussions. What is needed, however, is an all-inclusive venue, funded and supported by the broader community, to identify opportunities to pursue and needs to address within the context of an established strategy.</p>
<p>Business Attraction</p>	<p>The City's previous function, both under the NEDC and before the NEDC, focused on business retention and business expansion efforts. The service also, however, promoted and marketed Nanaimo to prospective businesses, and provided a single portal for these businesses to learn about the community and its opportunities. When the City dissolved the NEDC and re-established a streamlined function in the Community Planning Department, business attraction efforts were largely discontinued, and the single portal disappeared. MIBI was established by a consortium of business and community leaders in an attempt to fill the gap.</p> <p>Business attraction programs are widely viewed as being less important than strong business retention and expansion efforts. Indeed, efforts aimed at retention and expansion actually help to create the environment needed to attract new business and investment to an area. This point notwithstanding, focused attraction programs do need to be developed as part of a full economic development approach.</p>

Gap/Opportunity	Detail
	<p>Business attraction efforts may fit well into the City's new function. Businesses that are interested in learning about opportunities in a place, obtaining trusted economic and market analyses, seeking information about local requirements, and looking to identify connection points with local resources, tend to turn first to the city government. The official economic development function of the local government, regardless of its structure, carries a certain degree of authority that an organization without ties to the local government may not be able to command.</p>
Investment Fund	<p>A number of agencies interviewed for the study identified the potential to invest in strategic initiatives and opportunities aimed at facilitating economic development in Nanaimo. Such initiatives would have broad community benefit, and would be linked to priorities identified in a new economic development strategy (e.g., transportation infrastructure, manufacturing capacity, technology incubators, tourism infrastructure, etc.).</p> <p>Economic investment funds in other centres are funded in large part by public resources, and are developed as special programs (often with their own governing body) within local government economic development functions.</p>

## SECTION 4

### CITY OF NANAIMO SERVICE MODEL

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The previous chapter of the report highlighted, in Figure 3.1, some specific services that the City may wish to include in any new economic development function. These services may not represent the full scope; they do, however, build on the elements and strengths of the City's existing function, while also addressing important gaps and opportunities in the economic development landscape. Based on discussions with existing agencies and leaders, there is support in the community for the City to include these services in its new function.

This chapter of the report focuses on the issue of structure, also referred to as service model. Five options are presented and assessed for the City's consideration.

#### SERVICE MODEL OPTIONS

A review of local government economic development functions across North America highlights three basic service models for the City to consider:

- *In-House Model* — Under this model the City's new economic development function would be based in, and provided by, the City administration. This model is used by the City for its existing modest service; it was also used prior to 2011 when the City had an Economic Development and Tourism Department in place.
- *City-Owned Agency Model* — This model features the use of a separate agency, incorporated and owned (wholly or primarily) by the City, but with its own Board of Directors and staff.
- *Service Contract Model* — In this model, the City would contract the operation of its economic development function to an independent organization. The City uses this model to deliver tourism services through Tourism VI under the terms of a five-year fee-for-service agreement.

Elements from two or more of the basic models may be combined to create a hybrid approach. Certain services in such a hybrid could be provided in-house by City staff in an economic development office or department. Other services could be provided outside of City Hall by a City-owned entity, or by an independent organization contracted by the City. Hybrid approaches, featuring a combination of the in-house/agency models, and a combination of the in-house/contract models, are presented as additional models for the City to consider. The total number of options, including the two hybrid approaches, is five.

#### CITY OF NANAIMO SERVICE MODEL SCENARIOS

This section presents five scenarios to illustrate how the different service models

could be used to deliver the City of Nanaimo's new economic development function. All scenarios envision the same service scope, which would include the specific services identified earlier in Chapter 3, Figure 3.1.

**Scenario 1:  
Economic Development Department**

In this first scenario, the City would deliver the service through a new Economic Development Department. Figure 4.1 provides additional detail.

**Figure 4.1  
Economic Development Department Model**

Key Elements	Description
Scope of Service	<p>The service scope would consist of the items identified in Figure 3.1:</p> <ul style="list-style-type: none"> <li>– the Department would oversee the development, through an inclusive process, of a new Nanaimo Economic Development Strategy, and would implement and maintain the Strategy</li> <li>– staff would continue to undertake research and data analysis, as they do today, to produce economic reports</li> <li>– the Department would be the primary point of contact for new and prospective businesses on City policies, processes and requirements</li> <li>– the Department would manage all service contracts with external economic development and tourism agencies</li> <li>– staff in the Department would initiate and liaise with other departments and Council on the development of policies and programs to promote business and economic development</li> <li>– the Department would establish a broad-based economic development committee as a forum for priority setting and agency coordination, within the context of the strategy</li> <li>– the Department would oversee targeted marketing and promotion efforts to attract businesses; the Department would serve as the first point of contact for prospective businesses</li> <li>– the Department would oversee an investment fund, should such a fund be desired</li> </ul>
Service Funding	<p>City Council would provide funding sufficient for the Department to provide its full scope of services, including starting capital for an investment fund. City funds would be leveraged, where possible, to obtain grants from other governments and foundations for specific initiatives.</p>
Service Governance	<p>City Council would govern the function, as it does all other City functions. Council would be assisted by an advisory committee (e.g., economic development committee noted earlier).</p>
Staff	<p>The Department would be headed by a senior manager (e.g., Director), who would have access to senior management and Council (through the</p>

Key Elements	Description
	City Manager). All other staff in the service would be City staff, attached to the Department. A complement of three (3) to four (4) FTEs is envisioned.
Location	The Department would be located within City Hall.

**Scenario 2:**

**Nanaimo Prosperity Agency**

In this scenario, the City would establish a separate, single-purpose Nanaimo Prosperity Agency to deliver the City's economic development service. The Agency would be owned, wholly or primarily, by the City. Figure 4.2 provides additional detail.

**Figure 4.2  
Nanaimo Prosperity Agency Model**

Key Elements	Description
Scope of Service	<p>The service scope would consist of the Figure 3.1 items:</p> <ul style="list-style-type: none"> <li>– Council would assign to the Agency responsibility for leading the development, through an inclusive process, of a new Nanaimo Economic Development Strategy, and for implementing and maintaining the Strategy</li> <li>– staff in the Agency would undertake research and data analysis to produce economic reports</li> <li>– the Agency would be the primary point of contact for new and prospective businesses on City policies, processes and requirements</li> <li>– staff would liaise with City departments and Council to advocate for the development of policies and programs to promote business and economic development</li> <li>– the Agency's Board would serve as a forum for collaboration and priority-setting; additional committees and forums would be established by the Board as warranted</li> <li>– the Agency would undertake targeted marketing and promotion efforts to attract businesses; the Agency would be the economic development "brand" for Nanaimo</li> <li>– the Agency could oversee an investment fund established by the City, should such a fund be desired</li> </ul> <p>Note that management of contracts between the City and external agencies (e.g., Tourism VI) would remain in-house with the City in the Parks, Recreation and Culture Department.</p>
Service Funding	City Council would guarantee core funding for the Agency to provide its full scope of services, including starting capital for an investment fund.

Key Elements	Description
	The Agency would be expected, however, to leverage City funding to raise additional funds from government, foundations, and the private sector. Economic development agencies and other organizations in the community would be expected to contribute funds in the form of share purchases and/or membership payments. These payments would be made in accordance with a schedule that differentiated among organizations based on size, ability-to-pay, and other factors.
Service Governance	<p>The Agency's Board of Directors would be the governing body. City Council would appoint all Directors, and would have the authority to remove Directors. The Board, however, would act with considerable autonomy from Council once appointed. Quarterly reports to Council would provide for accountability. Included on the Board of Directors would be one member of Council (e.g., Mayor) and one senior staff member (e.g., City Manager).</p> <p>Success factors in this model would include:</p> <ul style="list-style-type: none"> <li>– a strong governance structure that clearly set out roles and responsibilities</li> <li>– a skilled Board of Directors that understands its job</li> <li>– a Council and administration that respect the Board's autonomy<sup>8</sup></li> </ul>
Staff	The Agency would be headed by a Chief Executive Officer or Executive Director. Initially, four (4) FTEs, including the head, would comprise the full staffing complement (this number would be adjusted based on need). All staff would be employees of the Agency.
Location	The Agency would be located outside of City Hall.

**Scenario 3:**

**Economic Development Service Contract**

In this scenario, the City would contract the delivery of economic development to an independent organization in Nanaimo. This scenario would be similar in approach to that which the City has taken with its tourism service, which is contracted to Tourism VI. Figure 4.3 provides additional detail.

<sup>8</sup> These three features would be particularly important to put in place, given the difficulties experienced under the Nanaimo Economic Development Corporation.

**Figure 4.3**  
**Economic Development Service Contract Model**

Key Elements	Description
Scope of Service	<p>Through a fee-for-service contract, the City would assign responsibility to an independent organization (i.e., the contractor) for the scope of services identified in Figure 3.1. Specifically:</p> <ul style="list-style-type: none"> <li>– Council would assign to the contractor responsibility for leading the development, through an inclusive process, of a new Nanaimo Economic Development Strategy, and for implementing and maintaining the Strategy</li> <li>– the contractor would commission and/or undertake research and data analysis to produce economic reports</li> <li>– the contractor would be the primary point of contact for new and prospective businesses on City processes and requirements</li> <li>– the contractor would liaise with City departments and Council to advocate for the development of policies and programs to promote business and economic development</li> <li>– the contractor would convene forums, as necessary, for collaboration and priority-setting</li> <li>– the contractor would undertake targeted marketing and promotion efforts to attract business; work would be conducted under a Nanaimo economic development brand</li> <li>– the contractor could oversee an investment fund, should such a fund be desired</li> </ul> <p>Management of contracts between the City and external organizations (e.g., Tourism VI) would remain in-house with the City in the Parks, Recreation and Culture Department.</p>
Service Funding	<p>City Council would provide core funding through a five-year contract for the contractor to provide the full scope of services. The contractor would be expected to raise additional funds from government, foundations, and the private sector for key initiatives.</p>
Service Governance	<p>Council would be the governing body for the function. Accountability to Council would be provided through the terms of the contract, which would include the requirement for quarterly performance reports.</p>
Staff	<p>The contractor would provide all staff for the service. The fee-for-service contract from the City would provide the funds for adequate staff, in keeping with FTE numbers in the other scenarios.</p>
Location	<p>The service would be located at the contractor's premises.</p>

**Scenario 4:  
In-House/City-Owned Agency Hybrid Model**

The hybrid model could be designed in one of two ways:

- as a model that divides the scope of service between an in-house department and a new economic development agency
- as a model that divides the scope of service between an in-house department and an independent, contracted organization

Figure 4.4 addresses the first of these possibilities under which services would be divided between an in-house City Department, and a Nanaimo Prosperity Agency incorporated by the City.

**Figure 4.4  
In-House/City-Owned Agency Hybrid Model**

Key Elements	Description
Scope of Service	<p>The scope of services identified in Figure 3.1 would be divided between a City department and a new City-owned agency as follows:</p> <p style="text-align: center;"><i>City Department</i></p> <ul style="list-style-type: none"> <li>– staff in the City would undertake research and data analysis to produce economic reports</li> <li>– the Department would be the primary point of contact for new and prospective businesses on City policies, processes and requirements</li> <li>– staff would initiate and liaise with other departments on the development of policies and programs to promote business and economic development</li> <li>– staff would manage all service contracts with external economic development and tourism agencies</li> </ul> <p style="text-align: center;"><i>Nanaimo Prosperity Agency</i></p> <ul style="list-style-type: none"> <li>– Council would assign to the Agency responsibility for leading the development, through an inclusive process, of a new Nanaimo Economic Development Strategy, and for implementing and maintaining the Strategy</li> <li>– the Agency's Board would serve as a forum for collaboration and priority-setting; additional committees and forums would be established by the Board as warranted</li> <li>– the Agency would undertake targeted marketing and promotion efforts to attract business; the Agency would be the "brand" for Nanaimo</li> <li>– the Agency could oversee an investment fund established by the City, should such a fund be desired</li> </ul>

Key Elements	Description
Service Funding	City Council would provide core funding for the Department to provide its limited scope of services. Council would also guarantee core funding to the Agency for its responsibilities. The Agency would be expected to leverage City funding to raise additional funds from government, foundations, and the private sector. Economic development organizations and others in the community would be expected to contribute funds in the form of share purchases and/or membership payments. These payments would be made in accordance with a schedule to reflect size, ability-to-pay, and other factors.
Service Governance	The Agency's Board of Directors would be the governing body of the Agency and its services. City Council would appoint all Directors, and would have the authority to remove Directors. The Board, however, would act with considerable autonomy from Council once appointed. Quarterly reports to Council would provide for accountability. Included on the Board of Directors would be one member of Council (e.g., Mayor) and one senior staff member (e.g., City Manager). Council would be the governing body for the services provided in-house.
Staff	The City would provide staff for the in-house functions. A total of two (2) FTEs could be required for these responsibilities. The Agency would provide staff to meet the assigned responsibilities. It is expected that three (3) FTEs would be needed to begin. Staff from the two service bodies would need to liaise regularly.
Location	City staff would be located within City Hall; the Agency would have its own location outside of City Hall.

### Scenario 5:

#### In-House/Contract Hybrid Model

Figure 4.5 outlines the model that divides responsibilities between an in-house function and an independent contract organization.

**Figure 4.5**  
**In-House/Contract Hybrid Model**

Key Elements	Description
Scope of Service	<p>The scope of services identified in Figure 3.1 would be divided between a City department and an independent contract organization, as follows:</p> <p style="text-align: center;"><i>City Department</i></p> <ul style="list-style-type: none"> <li>– staff in the City would undertake research and data analysis to produce economic reports</li> <li>– the Department would be the primary point of contact for new and prospective businesses on City policies, processes and requirements</li> </ul>

Key Elements	Description
	<ul style="list-style-type: none"> <li>– staff would initiate and liaise with other departments on the development of policies and programs to promote business and economic development</li> <li>– staff would manage all service contracts with external economic development and tourism agencies</li> </ul> <p style="text-align: center;"><i>Contract Organization</i></p> <ul style="list-style-type: none"> <li>– Council would assign to the independent contractor responsibility for leading the development, through an inclusive process, of a new Nanaimo Economic Development Strategy, and for implementing and maintaining the Strategy</li> <li>– the contractor would convene forums, as necessary, for collaboration and priority-setting</li> <li>– the contractor would undertake targeted marketing and promotion efforts to attract business; the contractor would be the "brand" for Nanaimo</li> <li>– the contractor could oversee an investment fund established by the City, should such a fund be desired</li> </ul>
Service Funding	City Council would provide core funding for the Department to provide its limited scope of services. Council would also provide core funding through a five-year contract for the contractor to provide the full scope of services. The contractor would be expected to raise additional funds from government, foundations, and the private sector for key initiatives.
Service Governance	Council would be the governing body for the entire function. Accountability to Council for the contracted-out services would be provided through the terms of the contract, which would include the requirement for quarterly performance reports.
Staff	The City would provide staff for the in-house functions. A total of two (2) FTEs could be required for these responsibilities. The contractor would provide staff to meet the assigned responsibilities. It is expected that three (3) FTEs would be needed to begin. Staff from the two service bodies would need to liaise regularly.
Location	City staff would be located within City Hall; the contract organization would have its own location outside of City Hall.

### ASSESSING THE SERVICE MODELS

Each of the five service model scenarios represents a legitimate option for the delivery of the City's new economic development function. Arguably, any one of the models could be developed in a way to meet the needs of the City and the community. The ultimate choice of preferred model, however, will be informed by a number of factors. Key factors are presented in Figure 4.6 as assessment criteria.

**Figure 4.6**  
**Assessment Criteria**

Criteria	Explanation
Use in Similar Cities	One finding from the economic development literature is that there is no best practice or preferred model for cities the size of Nanaimo. The choice of model more typically reflects local circumstances and conditions. This finding notwithstanding, there may be value in knowing the popularity of different models in mid-size Canadian cities (100,000 pop). <sup>9</sup>
Accountability	City Council is the community's governing body with responsibility for setting broad economic goals for the community, and for using local tax dollars to fund the economic development function. The level of accountability to Council under each of the models is an important consideration. Mechanisms can be developed to improve the accountability of different options — reporting requirements, contracts, shareholder agreements are examples of such mechanisms. Some models, however, may be inherently more accountable — or perceived as such — than others.
Access to Decision-Makers	City Council and senior City managers make important decisions that have the potential to significantly impact — positively or negatively — the community's business environment, as well as Nanaimo's overall level of prosperity. It is important for leaders in the City's economic development function to have a high level of access to Council and senior management in order to ensure that economic development considerations are front and centre in decision-making. Mechanisms to promote access are possible to incorporate into all models. Certain models, however, may be perceived to provide better access to decision-makers than others.
Profile	A high profile for the economic development function may help to generate interest in local opportunities for both existing and prospective businesses. A high profile may also help to engage community leaders from all sectors in the development of an economic development strategy, in collaborative forums, and in other broad-based efforts to enhance the community's prosperity.
Cost-Effective	The proposed (initial) scope of service is the same under all of the models. The cost to deliver on the scope, however, will differ by model to some degree. In general, models that can embed the functions within an existing organization will be more cost effective than models that require a new organization to be established. Embedded functions can take advantage of existing support services and administrative economies of scale.

<sup>9</sup> Appendix III provides some examples of centres that use different models.

Criteria	Explanation
Ability to Leverage Funds	Each of the models relies on the City to pay core costs. Additional monies will be needed from the public and private sectors, however, to fund key initiatives.
Flexibility	Staff in economic development services must interact regularly with, and act on behalf of, private sector businesses across different industries and sectors. Interactions may be more positive and useful when staff are able to work outside of processes and workplace culture constraints that may govern work within public sector organizations, including cities.
Autonomy	Autonomy refers to the degree to which the function has authority to make its own decisions, within the context of a guiding strategy. The opposite of autonomy is control — that is, control over service decisions by Council.
Community Ownership	Economic development is a ultimately a community endeavour that requires, in addition to strong City leadership, the active involvement of existing economic development agencies, significant economic generators, the business sector, the post-secondary sector, social agencies, First Nations and all others who are committed to building community prosperity. Key parties need to be willing to invest in economic development efforts, and need to feel a sense of shared ownership in the City's service model through which strategies and priorities are developed, and investments made.
Broad Support	The consultant's terms of reference for the assignment identified the need for the preferred service model to be supported by the community agencies and leaders interviewed for the study, as well as by the responses to the public survey.

### Assessment Matrix

The assessment of the five service model options against the criteria is presented in Figure 4.7 using a set of symbols. Much of the scoring in the matrix is subjective in nature; as well, scores for each model are relative to those awarded to the others.

**Figure 4.7**  
**Assessment Matrix**

Criteria	In-House	City Agency	Contract	In-House/ Agency	In-House/ Contract
Use in Similar Cities	●	●	○	○	○
Accountability	●	○	○	○	○
Access to Decision-Makers	●	○	○	○	○
Profile	○	●	○	●	○
Cost-Effectiveness	●	○	●	○	●
Ability to Leverage Funds	○	●	○	●	○
Flexibility	○	●	●	○	○
Autonomy	○	●	○	○	○
Community Ownership	○	●	○	○	○
Broad Support	○	●	○	●	○

○ = low    ○ = medium    ● = high

**REVIEW WITH GOVERNANCE AND PRIORITIES COMMITTEE**

On Monday, July 29, 2019, staff and the consultant reviewed the *Interim Report* and its assessment of the service model options with Council's Governance and Priorities Committee. The purpose of the review was to obtain input, and address Committee members' questions, on the service model options before finalizing the report and providing recommendations. The Committee heard in the same meeting from representatives of three economic development agencies, including MIBI, the Nanaimo Chamber of Commerce, and Community Futures (Central Island).

A number of key points emerged during the review with the Committee:

- *Hybrid Approach* — Committee members expressed support for some form of hybrid approach that divided delivery of the City's economic development function between an in-house group and an outside entity. Whether the outside entity should be an arm's-length agency established and owned (wholly or primarily) by the City, or an independent organization contracted by the City, emerged as a point for further consideration.
- *Inclusive Governance* — There was support for the view that governance of the outside entity should rest with an autonomous Board of Directors whose membership would be comprised primarily of community leaders from outside of City Hall, with specified skill sets. There was also support for the

view that the City should have one or more senior representative appointed to the Board as a director. The question remained, however, as to whether the representative(s) should be from Council, senior management, or both.

- *Multi-Sector Funding* — Support was expressed for the suggestion to allow for and encourage others to participate financially, in partnership with the City, in funding the outside entity. Financial participation could take the form of shares and/or memberships in the case of a business entity, or memberships in the case of a not-for-profit society.
- *Economic Development Strategy* — Considerable discussion occurred around the timing of a new economic development strategy relative to the choice of service model. This report has put forward the view that the service model can be chosen first; development of the strategy can be assigned to the governing body (i.e., the outside entity's Board of Directors) that is responsible for service delivery. Some committee members agreed with this perspective; others thought that the strategy would help to inform the choice of service model, and should, therefore, be developed before embracing a particular option.

It is important on this point to clarify that the strategy, once developed, will:

- outline Nanaimo's strengths and opportunities, as well as its competitive advantages
- craft and present an economic development vision that speaks to Nanaimo's long-term prosperity
- identify economic priorities (e.g., industries, clusters, outcomes) on which to focus collective efforts
- set out the roles that individual stakeholders, governments, authorities, agencies, and others can play under each priority

During the development of the strategy, the need to include (or exclude) a specific service in the economic development function could arise. This information could help to finalize the function's exact scope of services. The information would not likely, however, determine the choice of service model. The service model, it should be remembered, is simply the vehicle chosen by the City to deliver the City's economic development function. The efforts taken under the function will be guided by the economic development strategy, not by the choice of vehicle to deliver the function.

The final point was made that the economic development strategy needs to be initiated, funded, and ultimately endorsed by Council. The process of developing the strategy, however, must be driven by and involve leaders and representatives from all key sectors, agencies and groups in the community. Put differently, the strategy must be developed not only for the community, but by the community as well. This point may strengthen the suggestion to

have the strategy developed under the direction of a new, inclusive Board of Directors established to lead an outside entity.

- *Financial Plan* — The Committee understood that time is of the essence given the City's intention to provide enhanced funding for its economic development function in the 2020 financial plan. Some Committee members took the view that the City should endorse a model before budget, provide sufficient start-up funding, then allow the model to be refined over the coming year. Others felt that it would be better to build up the in-house portion of the function in 2020, undertake a new economic development strategy, and determine the preferred type and structure of an outside entity, if any, once the strategy has been completed. Funding for the outside entity would begin in 2021 under this suggested course of action.
- *Investment Fund* — The report identified an investment fund as a potential service to include in the economic development function. It was noted in the presentation to Committee that some other cities (e.g., Calgary) and institutions (e.g., Vancouver Island University) have developed investment funds to make and/or leverage strategic investments aimed at helping to create conditions for prosperity. There was a sense in the Committee discussion that such a fund may have merit; however, it is a service that the community may wish to consider later.
- *Feedback from Interviewees* — Committee members wished to understand which service model was preferred by persons and groups interviewed for the assignment.<sup>10</sup> The consultant noted that, while interviewees were not unanimous in their choice, the majority wished to see a hybrid model in which:
  - certain services (e.g., research and analysis) were delivered in-house using City staff
  - key services (e.g., business attraction, business expansion, coordination of activities, etc.) were assigned to a separate, economic development entity with an autonomous Board of Directors

Different views were put forward regarding the preferred degree of separation between the outside entity and the City. Some interviewees put forward the view that the entity should be completely independent of City Hall, and contracted by the City on a five-year term to set priorities and deliver assigned services. This separate entity would be owned and controlled by stakeholder organizations in the community who would be shareholders (in the case of a business entity), or members (in the case of a

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<sup>10</sup> The consultant was asked to identify a service model that would have broad community support.

society). This model was outlined at the July Committee meeting by the MIBI representative.

Other interviewees expressed the view that the outside entity should be established and owned (wholly or primarily) by the City. These interviewees suggested that City ownership would best enable the entity to remain inclusive and community-focused, and would give the entity a sense of legitimacy both in the community and in other markets that a separate, private organization may lack. These interviewees also suggested that City ownership would allow for a stronger connection between the outside entity and City Hall. Proponents of this approach noted the need for a carefully constructed governance model to protect against the issues that resulted in the dissolution of the NEDC.

## SECTION 5 RECOMMENDATIONS

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Nanaimo City Council wishes to increase the level of support for the City's economic development function. To ensure that any new investment is focused, effective, and supported by the community, Council initiated an economic development service model review. Neilson Strategies Inc. was retained in late May, 2019, to conduct the review. The consultant was asked, specifically, to advise the City on two points:

- the scope of services that should be included in an enhanced economic development function
- the preferred service model through which the function should be delivered

This *Final Report* has presented the findings of the consultant's work. The evolution of the City's economic development function since its inception has been outlined, as have changes over that time to the service delivery model used. The broad range of other economic development agencies in the community, and the specific services they provide, have also been outlined. An initial scope of services to consider for the City's new, enhanced economic development function has been presented. Alternative service models through which the function could be delivered have been outlined and assessed.

This final chapter of the report presents the consultant's recommendations for the City to consider. The recommendations were informed by the research and consultation undertaken for the review, and the July 29, 2019, discussion with Council's Governance and Priorities Committee on the *Interim Report*.

### RECOMMENDATIONS

#### Scope of Services

Chapter 3 of the report identifies and comments on the scope of services that the City could consider including in its enhanced economic development function. The list of services in Figure 3.1 focused on service gaps and opportunities that emerged from a review of the City's existing function, discussions with economic development agencies in the community, a review of the agencies and their activities, and research on functions elsewhere.

Figure 3.1 was reviewed with Committee at the end of July. Based on the information presented in Figure 3.1, and the input provided by Committee members, the following recommendation on scope is presented in Figure 5.1.

**Figure 5.1**  
**Service Scope Recommendation**

- > *THAT Council endorse an initial scope of services for the City's new economic development function that includes:*
  - *the development, implementation, and maintenance of a new Nanaimo Economic Development Strategy*
  - *the formulation of Nanaimo-specific economic reports on economic activity, performance, trends, opportunities, and needs*
  - *the provision of advice and assistance to existing and prospective businesses that must navigate City Hall to obtain permits, licenses, and other permissions or information*
  - *management of the City's service contract with Tourism VI, as well as future economic development-related service contracts with external agencies*
  - *the provision of input into the formulation of City policies by departments and Council aimed at facilitating economic activity and investment*
  - *the coordination of organizations with roles to play in the community's ongoing economic development*
  - *business attraction efforts, including the promotion of opportunities in Nanaimo, under a single Nanaimo brand*

It was noted earlier in the report that the City does not seek to duplicate or displace the efforts of existing agencies in Nanaimo. The City recognizes that, in many cases, existing agencies have the expertise, and have made the investments needed, to fulfill their respective mandates. The recommended scope reflects this point.

It is important to clarify that recommended scope represents the *initial* scope of services. It is not possible at this point to identify all gaps and opportunities in the economic development service landscape. In the coming years, it is expected that the scope will evolve as gaps, needs, and opportunities become better understood. The potential to establish and manage an investment fund — a service that has been left out of the recommended initial scope — would be revisited at a future point.

Finally, it must be emphasized that the recommended scope focuses solely on the question of "what" should be provided initially by the City in terms of economic development. The recommended scope says nothing about "how" the services should be delivered, or "who" should deliver them. These questions are addressed under the recommended service delivery model, which is examined next.

**Service Delivery Model**

Chapter 4 of the *Interim Report* identified, outlined, and assessed five service delivery model options for the City to consider. Based on this information, and on

the Committee discussion in late July, recommendations on the preferred service delivery model are presented in Figure 5.2.

**Figure 5.2**  
**Service Delivery Model Recommendations**

- > *THAT Council endorse the In-House/City-Owned Agency Hybrid Model for the delivery of the City's new Economic Development Function.*
- > *THAT Council, in accordance with the In-House/City-Owned Agency Hybrid Model, divide the scope of services between an in-house economic development group, operated by City staff, and an arm's-length Nanaimo Prosperity Agency, incorporated and owned (primarily) by the City of Nanaimo, governed by an autonomous Board of Directors, and operated by its own staff.*
- > *THAT Council assign the following initial scope of services to the in-house economic development group:*
  - *the development of a new Nanaimo Economic Development Strategy*
  - *the formulation of Nanaimo-specific economic reports on economic activity, performance, trends, opportunities, and needs*
  - *the provision of advice and assistance to existing and prospective businesses that must navigate City Hall to obtain permits, licenses, and other permissions or information*
  - *management of the City's service contract with Tourism VI, as well as any future economic development-related service contracts with external agencies*
  - *the provision of input into the formulation of City policies of other departments and Council aimed at facilitating economic activity and investment*
- > *THAT Council assign the following initial scope of services to the City-owned Nanaimo Prosperity Agency:*
  - *the implementation and maintenance of the Nanaimo Economic Development Strategy (once developed)*
  - *coordination of organizations with roles to play in the community's ongoing economic development*
  - *business attraction efforts, including the development and embodiment of a single Nanaimo brand*
- > *THAT Council establish the Nanaimo Prosperity Steering Committee to oversee the creation of the new Nanaimo Economic Development Strategy, and to fully develop the ownership, funding, governance, staffing, and other elements of the City-owned Nanaimo Prosperity Agency.*

There are two key points to highlight in the Figure 5.2 recommendations. The first concerns the preference for a City-owned agency over an independent contract organization. In the consultant's view, a City-owned Nanaimo Prosperity Agency would be more inclusive than an independent contract organization, and would, as a result, allow for a stronger sense of shared ownership. The use of a City-owned agency would also represent a tested approach that works well in other large cities, and would be viewed as a more legitimate representative of the community in target markets. In the consultant's view, the City-owned agency would receive greater support than the independent contract organization in Nanaimo's economic development community.<sup>11</sup>

The second point concerns the recommendation to establish a steering committee — the Nanaimo Prosperity Steering Committee. It is envisioned that this Committee would be comprised of a variety of community leaders, including those with experience in economic development and corporate governance. It would be appointed by Council, would report to Council, and would be supported by City staff.

The Steering Committee's mandate would be twofold in nature:

- *Nanaimo Economic Development Strategy* — The Steering Committee would govern, on behalf of Council, the development of the new Nanaimo Economic Development Strategy through an inclusive process.
- *Nanaimo Prosperity Agency* — The Committee would develop a blueprint for the establishment of the City-owned Nanaimo Prosperity Agency. Key success factors would need to be considered and incorporated into the Agency's structure. A strong governance model, with clear roles and responsibilities for the Board and City Council, would be a critical factor, particularly given difficulties that were encountered under the NEDC. Other factors for the Steering Committee to address would include:
  - the Agency's ownership structure, which it is expected would provide for primary (if not sole) ownership by the City, and the possibility of part ownership or investment by other interests<sup>12</sup>
  - funding, both for core functions and key initiatives
  - Council's role — and limitations imposed on the role — in appointing Directors to the Agency's Board, and in overseeing the Agency
  - the preferred qualifications for Directors, with consideration given to skill sets and the need for broad representation
  - the need for and level of City representation on the Agency's Board
  - mechanisms for ensuring appropriate accountability to Council
  - the Agency's staffing needs

<sup>11</sup> This conclusion is based largely on consultations with existing agencies.

<sup>12</sup> The creation of different classes of shares represents one mechanism that could be used to allow for buy-in by others.

## **APPENDICES**

**ECONOMIC  
DEVELOPMENT  
SERVICE MODEL**

**INTERIM REPORT**

**NEILSON**  
STRATEGIES

**AUGUST 2019**

## APPENDIX I

### SUMMARY OF INTERVIEW FINDINGS

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During a three-week period in June, 2019, the consultant conducted over twenty interviews with representatives of organizations in Nanaimo that are active in the provision of economic development services, and that collectively comprise the economic development service landscape in the community.<sup>13</sup> All but two interviews were conducted in person. In the last week of June, 2019, persons interviewed were brought together for a two-hour group discussion on the possible service scope and service model for the City's new economic development function.

This appendix identifies the organizations consulted and reports on the key themes that emerged over the course of the interviews.

#### ORGANIZATIONS CONSULTED

The full list of organizations consulted, in alphabetical order, is as follows:<sup>14</sup>

- Central Vancouver Island Multicultural Society
- City of Nanaimo
- Coast Community Credit Union
- Community Futures Central Island
- Innovation Island Technology Association
- Manufacturers Technology Entrepreneurship Council
- Mid-Island Business Initiative
- Nanaimo Chamber of Commerce
- Nanaimo Hospitality Association
- Nanaimo Airport YCD
- Nanaimo Port Authority
- Petroglyph Development Group (Snuneymuxw First Nation)
- Tourism Vancouver Island
- Vancouver Island Conference Centre
- Vancouver Island North Film Commission
- Vancouver Island University

#### KEY THEMES

The following themes emerged during the interviews with economic development leaders:

- *City Economic Development Function* — The vast majority of interviewees applauded the City's decision to expand its economic development function. Interviewees highlighted the importance of increased public funding in support of economic development efforts that benefit the broader community. The question of service model, which considers how the City's

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<sup>13</sup> In the case of a few agencies, more than one representative was consulted.

<sup>14</sup> Efforts were made to interview representatives of the Vancouver Island Economic Alliance, and Young Professionals of Nanaimo.

function should be delivered and by whom, was understood by interviewees to be the primary focus of the study.

- *In-House City Services* — All persons spoke highly of the services delivered by City staff in the existing economic development group (Nanaimo Economic Development) within the Community Planning Department. The group's skills in research, data collection and analysis, and the production of relevant economic reports were cited specifically. Interviewees indicated a preference to keep the research, analysis, and reporting services in-house in the City's new, expanded economic development function. Many interviewees suggested, as well, that other services be delivered in-house in the future, including:
  - providing assistance to existing and prospective businesses in navigating City Hall
  - managing economic development contracts between the City and external agencies
  - liaising with other City departments to ensure that an economic development perspective informs the development of policies and programs<sup>15</sup>
  
- *In-House Service Model* — Some persons interviewed felt that the City's expanded economic development function should be delivered through the In-House Model, and supported by an inclusive, external economic development stakeholder forum, similar to the Economic Development Group (EDGe) that was in place in Nanaimo in the late 1990s and early 2000s. In support of this position, interviewees pointed to:
  - successes under the City's earlier in-house economic development department — and, in particular, EDGe — that preceded the Nanaimo Economic Development Corporation
  - difficulties experienced under the NEDC that contributed to the Corporation's dissolution
  - a perception that an in-house economic development group, reporting to Council, is best positioned to promote the interests of the entire community over those of specific stakeholders
  - a perception that the In-House Model would provide greater stability and transparency than other models
  
- *Hybrid Model* — Most of the leaders interviewed expressed a preference for a hybrid model that would divide delivery of the City's economic development function between an enhanced in-house economic

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<sup>15</sup> The provision of assistance to businesses in navigating City Hall, and liaising with other departments, are handled today by the City's in-house economic development group, but at a modest level. These services could be provided at a higher level with additional resources.

development group, and an autonomous, outside entity supported by the City. A hybrid model, is was suggested, would:

- allow key services to be delivered outside of City Hall — and, more specifically, outside of the procedural, investment, and other constraints that govern in-house services
  - give leaders from the City's economic development partners direct involvement in governance for the function (through the entity's Board of Directors)
  - encourage financial buy-in to the function by partners
  - allow for greater coordination among groups involved in the provision of economic development services
- *Type of Hybrid* — There was some disagreement among interviewees on the specific type of hybrid model. Some expressed a preference for an In-House/Contract Hybrid that would assign the delivery of certain services to an independent outside organization. The outside organization would be a new society (or corporation), established and controlled by economic development stakeholder groups in the community. In broad terms, it would be focused on business attraction, but would also be active in business expansion efforts. It would be an inclusive body, and would set economic development priorities for Nanaimo within the context of City Council's broad community goals and priorities. The City would provide core funding through a multi-year contract to the organization, and would be represented on the organization's Board of Directors. The organization would employ its own staff.

Other interviewees preferred the In-House/City-Owned Agency Hybrid, under which the City would establish and own (wholly or primarily) a new, autonomous economic development agency for the delivery of key services. The new agency would be governed by its own Board of Directors, comprised of leaders selected on the bases of skills and representation. Council would appoint and remove the Board but would otherwise be "hands-off" (i.e., the Board would operate with considerable autonomy). The City would be represented on the Board by one Council member and/or one senior manager. The agency would employ its own staff and occupy office space outside of City Hall.

The chief difference between the two models, as outlined here, is the desired level of independence from the City. Proponents of the In-House/Contract Hybrid took the view that City ownership would result in City control that would, in turn, make it difficult for the organization to operate autonomously and achieve its potential. Proponents of the In-House/City-Owned Agency Hybrid highlighted the need for City ownership to ensure that:

- the agency, in its priority setting and activities, would be inclusive of all economic development stakeholders, and not just a chosen subset of parties
- legitimacy would be maximized, both among service providers and in the broader community
- accountability for the expenditure of public monies would be strong (and perceived to be strong)
- the agency would be able to connect to City Hall, while also remaining autonomous

On the whole, the In-House/City-Owned Agency Hybrid was preferred by a greater number of persons and groups interviewed than the alternative.

- *Governance Structure for Agency* — Proponents of a new City-Owned Agency (as part of a hybrid model) outlined the need to develop a strong governance structure for the agency. The success of the agency would be dependent on the agency's ability to operate with a high degree of autonomy from City Hall. Council, senior staff, and the Board of Directors would need to clearly understand and commit to their roles and responsibilities.
- *Economic Development Strategy* — All persons highlighted the need for a new Nanaimo Economic Development Strategy to set priorities and coordinate actions.
- *Geographic Service Area* — Interviewees were aware of the separate regional economic development study being undertaken by the Regional District of Nanaimo. Almost without exception, interviewees recognized the value in looking beyond the City's boundary to develop strategy, set priorities, and take action. On the whole, however, interviewees took the view that:
  - the City needs to work with local economic development partners to re-establish Nanaimo's own economic development function before considering how to best approach economic development on a broader geographic scale
  - the preferred, ultimate geographic service area may be the entire mid-Island region, which is larger than the RDN (a number of interviewees work with organizations that have a mid-Island focus)
  - careful thought needs to be given to the best service model for any regional function
  - the service model chosen for the City can be incorporated into a broader regional (or super-regional) framework at a later time

## **APPENDIX II**

### **OPEN HOUSE POSTER BOARDS**

**ECONOMIC  
DEVELOPMENT  
SERVICE MODEL**

**INTERIM REPORT**

**NEILSON**  
STRATEGIES

**AUGUST 2019**



## Economic Development Service Models

# OPEN HOUSE

Welcome to the City of Nanaimo's Open House on Economic Development Service Models. The event is an opportunity for the community to learn about the service models available to the City for its economic development function, and to provide input to the selection of a preferred model for the community.

Please spend some time reviewing the information provided here. Staff are available to answer any questions you may have. Please also complete the survey, which is available online at [www.nanaimo.ca/goto/economicdevelopment](http://www.nanaimo.ca/goto/economicdevelopment).



# ECONOMIC DEVELOPMENT — WHAT IS IT?

## PROSPERITY

At a fundamental level, *economic development* can be described as the services provided, investments made, activities performed and efforts taken to increase the level of prosperity enjoyed by people in the community. Economic development is about generating wealth; it is also about providing opportunities for people of all backgrounds and socio-economic groups to participate in the economy and achieve a high quality of life. Prosperity and quality of life for all are necessary components of a healthy community.

## ECONOMIC DEVELOPMENT STRATEGY

The starting point in economic development is the creation of a strategy. To be effective, economic development and the efforts of organizations engaged in it must be guided by a comprehensive community economic development strategy. The strategy needs to:

- ▶ set goals that are informed by, and in alignment with, the community's vision and strategic directions as expressed by City Council, as well as the community's broad development objectives identified in the official community plan and other strategic documents
- ▶ identify specific economic priorities (e.g., sectors to target, investments to undertake) towards which resources will be directed
- ▶ be developed through an inclusive process in which leaders from business, First Nations, post-secondary institutions, non-profit groups, City government, and others (e.g., airport, port) actively participate
- ▶ be endorsed by governments (including First Nations), economic drivers and economic supporters
- ▶ set out "who does what" in order to ensure that goals are met without unnecessarily duplicating efforts
- ▶ coordinate the efforts of all organizations that are active in providing facets of economic development

One of the first tasks facing the City will be the creation of a new economic development strategy for Nanaimo. The strategy will inform the scope of the City's economic development function, irrespective of the service model that is put in place.

## RANGE OF SERVICES

For some, economic development is defined narrowly to emphasize services aimed at attracting new business and new investment to the community. Most observers, however, define economic development more broadly to encompass a range of services, including some or all of those listed in the chart below.

It is important to remember that the economic development strategy will determine which specific services are most important, and which agency should be responsible for doing what.

**Potential Services  
Economic Development Function**

<ul style="list-style-type: none"> <li>&gt; research, data analysis &amp; planning</li> <li>&gt; support for start-ups &amp; entrepreneurs</li> <li>&gt; support for existing businesses</li> <li>&gt; business succession planning</li> <li>&gt; lending &amp; other financial support</li> <li>&gt; convening of roundtables &amp; forums</li> <li>&gt; advocacy aimed at effecting favourable policy, regulatory &amp; other changes</li> </ul>	<ul style="list-style-type: none"> <li>&gt; identification of target sectors &amp; opportunities</li> <li>&gt; promotion of the community &amp; economic opportunities to external target markets</li> <li>&gt; coordination of groups' efforts</li> <li>&gt; labour market analysis and development</li> <li>&gt; direct investment into the economy to stimulate or facilitate economic activity</li> </ul>
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# WHO DOES WHAT



## COMMUNITY EFFORT

The City of Nanaimo is an important agency in economic development. The City's current economic development function has fewer staff and a narrower scope than in previous years, but continues to make strong contributions to the community. Research, data collection, and analysis are particular strengths of the current function, as are initiatives aimed at supporting business retention and expansion. The City also contracts [Tourism Vancouver Island](#) to provide services focused on generating tourism and supporting businesses in the tourism sector.

Apart from the City and the work of Tourism VI, there are many organizations involved in some facet of economic development in Nanaimo. The [Vancouver Island Economic Alliance](#) (VIEA) convenes forums on economic development, produces information, and oversees the creation of broad-based programs aimed at building capacity for economic growth. Other groups provide services designed to help people create new businesses, and to help existing businesses with the support they need to stay and grow in the community. Examples of these groups include (in alphabetical order):

- ▶ [Central Vancouver Island Multicultural Society](#)
- ▶ [Community Futures Central Island](#)
- ▶ [Innovation Island](#)
- ▶ [Nanaimo Chamber of Commerce](#)
- ▶ [Nanaimo Young Professionals](#)
- ▶ [Petroglyph Development Corporation](#)
- ▶ [Tech Nanaimo](#)

Others are involved in promoting Nanaimo and its opportunities in order to attract new business and investment to the community. Tourism VI, noted earlier, provides these services for tourism specifically, as does the [Nanaimo Hospitality Association](#). [INFilm](#) is active in promoting the region to the film industry. An important, relatively recent addition to the list is the [Mid-Island Business Initiative](#) (MIBI), a privately-funded group with broad community support, focused on bringing in new companies.

Any discussion of economic development efforts in Nanaimo must highlight economic drivers that produce goods and services for sale in external markets. One example is [Vancouver Island University](#) (VIU); another is the [Vancouver Island Conference Centre](#) (VICC). Companies such as [Seaspan](#) and many others provide examples from the private sector. Finally, it is important to account for significant economic generators that help to set the stage for, and to facilitate, economic activity. These agencies include VIU, [Nanaimo Port Authority](#), [Nanaimo Airport YCD](#), [Petroglyph Development Corporation](#), [Island Health](#), and the City itself.

## NEED FOR COORDINATION

The services and activities undertaken by these agencies (and others) are important to the economic development of the community. For maximum impact, however, and to avoid unnecessary duplication, the services need to be coordinated. The economic development strategy to be developed for Nanaimo will speak to, and help to achieve, the coordination needed.

## GEOGRAPHIC SCALE

The current service model review is focused on the City of Nanaimo's economic development function. It is anticipated, however, that the model ultimately chosen for the City will align with and support existing and future efforts aimed at strengthening the broader, mid-Island economic region. Many of the agencies noted earlier are structured to take into account the needs of the broader region.



# CHRONOLGY OF CITY'S ECONOMIC DEVELOPMENT FUNCTION



## CITY DEPARTMENT

- > Economic Development and Tourism Department in City Hall
- > Delivered range of economic development services; managed service contracts with Tourism Nanaimo and Film Nanaimo
- > 5 full-time staff (3 in economic development; 2 in tourism)
- > \$1.1 million annual budget
- > In late 1990's, introduced an external *Economic Development Group* comprised of business and community leaders
- > EDG created strategy, identified key initiatives and priorities

## NANAIMO ECONOMIC DEVELOPMENT CORPORATION (NEDC)

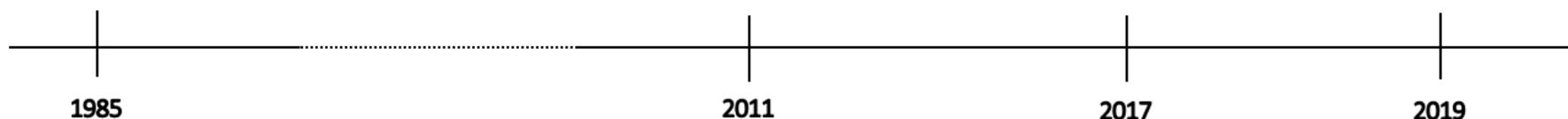
- > Created by City in 2011 to deliver economic development and tourism services
- > Owned by City, but separate Board of Directors and dedicated staff
- > Located outside of City Hall
- > 4 full-time economic development staff, 5 full-time tourism staff, additional part-time/seasonal tourism employees
- > \$1.38 million annual budget

## COMMUNITY PLANNING DEPARTMENT (CITY HALL)

- > Economic development part of Planning
- > Provides research & analysis, some business retention & expansion, policy development
- > Tourism services contracted to Tourism Vancouver Island
- > 1 full-time economic development staff
- > \$0.13 million economic development budget; \$0.65 million tourism

## SERVICE MODEL REVIEW

- > City reviewing service model possibilities with community
- > Intends to implement model in 2020, and create economic development strategy



# SERVICE MODELS



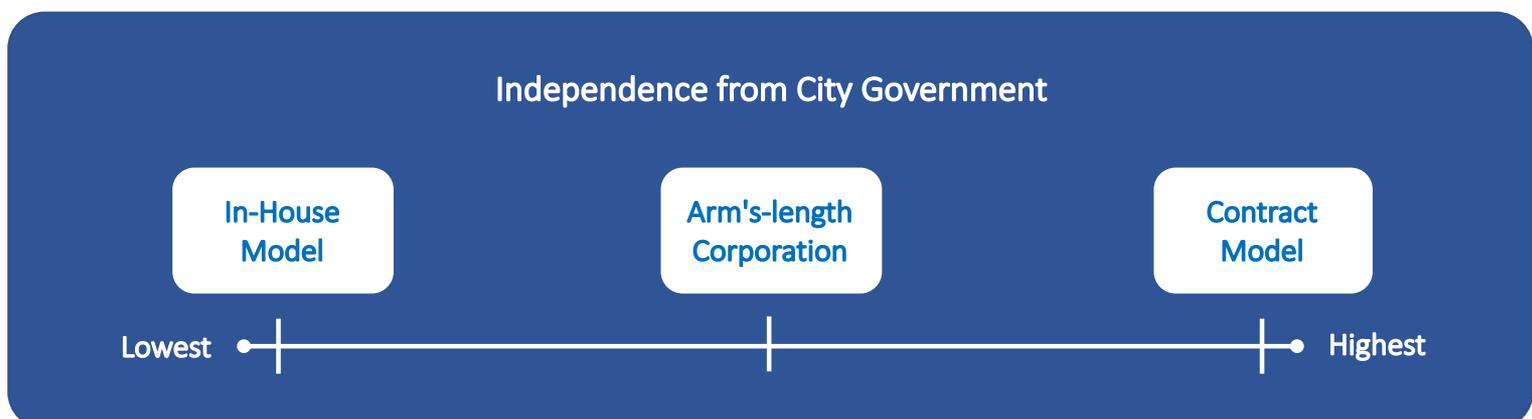
## THREE MODELS

A review of local government economic development functions across North America highlights three basic service models to consider:

- ▶ **In-House Model** — the local government economic development function is based in, and provided directly by, the city administration
- ▶ **City-Owned Corporation Model** — economic development is provided through a separate corporation, established and owned by the local government, but with its own Board of Directors and staff
- ▶ **Service Contract Model** — the delivery of the local government economic development function is contracted by the city to an independent agency

## SPECTRUM

The key feature that distinguishes the three models from one another is the level of independence from the local government. The accompanying figure charts the models on an "independence spectrum". The In-House Model, which places economic development within the civic administration, sits on the left end of the spectrum as the least independent. The Contract Model, which is the most independent from local government, sits at the opposite end.



## HYBRID APPROACHES

City governments may select a single model to deliver their economic development functions; however, in many cases, cities choose to deliver economic development through a hybrid approach that involves elements of more than one model. One city, for example, may choose to create an in-house economic development department to produce economic research and analysis, conduct business site visits, assist businesses in navigating municipal processes, and undertake other related activities. The same city may find it more effective, however, to create a city-owned corporation, or enter into a contract with a separate organization, to lead the creation of an economic development strategy, identify target sectors, initiate major projects, administer an investment fund, and/or promote the community in external markets.

# IN-HOUSE MODEL



## THE MODEL

In this model, the City's economic development function is embedded in, and is delivered directly by, the civic administration. City staff, either in a separate economic development office, or as part of another department, are involved in different types of activities, which may include efforts aimed at:

- ▶ supporting existing businesses
- ▶ facilitating business start-ups
- ▶ helping existing businesses or sectors to expand, and/or
- ▶ attracting new investment, both targeted and general

City staff in the function report through management to the chief administrative officer (CAO, or City Manager). Staff make recommendations to City Council on strategic priorities for the function, annual budgets, and economic development policies. Council is the governing body and ultimate decision-making authority for the function.

## PROS & CONS

To some degree, "pros" and "cons" are subjective terms — a "pro" for one person may be considered a "con" by another. The points in the adjacent table, however, are attributed by most observers to the model.

PROS	CONS
<ul style="list-style-type: none"><li>&gt; stable funding &amp; staffing</li><li>&gt; strong connection to civic departments</li><li>&gt; strong connection to Council, and alignment to Council priorities</li><li>&gt; strong accountability to taxpayers</li><li>&gt; high credibility in eyes of some, including other governments</li></ul>	<ul style="list-style-type: none"><li>&gt; perceived by some as bureaucratic (unable to respond quickly to opportunities and needs)</li><li>&gt; low sense of ownership by business community and other leaders</li><li>&gt; unable — legally or politically — to make certain investments or decisions</li></ul>

## WHERE IT IS USED

Nanaimo's current function is delivered in-house by the City's Community Planning Department. The City also used the model from the function's inception until 2011 when it was replaced with the Nanaimo Economic Development Corporation.

Most municipalities across the province deliver the function in-house — examples include the Cities of Richmond, Surrey, Prince George, Coquitlam and Campbell River. The Regional District Central Okanagan (Greater Kelowna) uses the model to deliver economic development for its members, as does the Cowichan Valley Regional District.

## SUCCESS FACTORS

Past experiences in places that use, or that have used, the In-house Model show that it works best when certain success factors are in place, including:

- ▶ **Senior Staff** — the function is headed by a senior staff member who forms part of, or has direct access to, the administration's senior leadership
- ▶ **Clear Mandate** — the purpose, scope and goals of the group are well-defined and realistic (no economic development group can be expected to do everything)
- ▶ **Proper Resourcing** — the function receives adequate, stable local government funding
- ▶ **Leveraged Support** — additional funds to assist with specific activities, projects or investments are leveraged from others, including other governments
- ▶ **Inclusive** — external advisory bodies are created and used to involve the business community, leaders of other agencies, and First Nation leaders in setting priorities and policies
- ▶ **Connected & Coordinated** — the internal group has strong partnerships with other agencies in the community that are involved in economic development
- ▶ **Transparent** — the function's priorities and annual workplan are public
- ▶ **Clear Council Role** — Council sets priorities (with others' input), but is not involved in running the function

# CITY-OWNED CORPORATION



## THE MODEL

In this model, the City's economic development function is provided through a separate corporation, owned by the City but with its own Board of Directors and dedicated staff. The economic development corporation (EDC) is a non-profit entity, incorporated under either the *Business Corporations Act* or the *Societies Act* for the purpose of performing specific economic development activities. Typically, EDC's are assigned responsibility for creating an economic development strategy, complete with priorities and goals for the community. EDC's may also be involved in marketing and other business attraction efforts, in providing support to start-ups or existing businesses, in managing an investment fund, and/or in a range of other tasks.

An EDC is designed to operate at arm's-length to City Council and administration, with considerable decision-making and operational autonomy. It has its own Boards of Directors whose members, though appointed by Council, have a fiduciary duty to the corporation. Core funding to allow the corporation to fulfill its mandate is provided by the City. The corporation's Board is accountable to Council for the use of the funds.

## PROS & CONS

The points in the adjacent table speak to some of the model's pros and cons.

PROS	CONS
<ul style="list-style-type: none"> <li>&gt; not constrained by City's administrative processes, systems, timelines</li> <li>&gt; designed to be insulated from political involvement</li> <li>&gt; able to take certain decisions and actions that the City may not be able to</li> <li>&gt; can attract (leverage) broad funding</li> <li>&gt; strong sense of ownership by business and others</li> </ul>	<ul style="list-style-type: none"> <li>&gt; takes effort to connect with City departments, since not part of City administration</li> <li>&gt; not able to take advantage of City's administrative economies of scale</li> <li>&gt; Board members need to accept considerable responsibility, and spend considerable time &amp; energy</li> <li>&gt; perceived by some as less accountable than in-house</li> </ul>

## WHERE IT IS USED

In 2011, the City of Nanaimo created the Nanaimo Economic Development Corporation (NEDC) to deliver the City's function. The NEDC was folded in 2016.

Other places in BC that use the model include the City of Kamloops (Venture Kamloops) and the City of Vancouver (Vancouver Economic Commission). There are many examples of EDC's outside of BC, including Calgary, AB (Calgary Economic Development), Edmonton, AB (Edmonton Economic Development Corporation), London, ON (London EDC), Kingston, ON (Kingston EDC, Waterloo Region, ON (Waterloo EDC), Halifax, NS (Halifax Partnership), and others.

## SUCCESS FACTORS

Success factors that are important for the City-Owned Corporation Model include the following:

- ▶ **Autonomous** — the EDC has considerable autonomy; shareholder agreement specifies matters in which Council has role (e.g., appointment of Board, approval of significant expenditures)
- ▶ **Inclusive** — leaders from business, post-secondary institutions, First Nations, labour, non-profits, public sector, and other major economic generators (e.g., airport, port) are represented on Board; others with important skill sets and/or affiliations may be included on the Board's advisory committees
- ▶ **Senior City Presence** — the City is represented on the Board by senior people (e.g., Mayor, City Manager)
- ▶ **Clear Mandate** — the EDC has a lead role to play in developing the economic development strategy for the community, and a clear but manageable set of other responsibilities
- ▶ **Mix of Funding Sources** — the City provides sufficient and stable core funding; other funds for key projects and programs come from other governments, the private sector, and (possibly) membership fees
- ▶ **Accountable** — quarterly/annual reports, performance metrics, shareholder agreements, and other measures are put in place to ensure accountability to Council (and taxpayers) for public funds
- ▶ **Connected & Coordinated** — the EDC has strong connections to the City administration, and to all other groups in the community whose efforts are coordinated through the economic development strategy
- ▶ **Transparent** — the EDC's strategies, priorities and workplans are public, as are all reports
- ▶ **Dedicated Staff** — the EDC has its own staff who are focused solely on EDC functions

# SERVICE CONTRACT



## THE MODEL

In this model, delivery of the City's economic development function is contracted to an independent organization. The contractor operates with its own shareholders and Board of Directors, its own members, and its own staff. The specific scope of services and activities assigned to the contractor is set out in its contract with the City. Council approves the contract, and is involved in helping to set the strategy and priorities that guide the contractor's efforts. City staff manage the contract and serve as the organization's primary source of contact with the City over the term of service.

The annual cost set out in the contract reflects the scope of services and activities, and is paid by the City to the contractor. Accountability to Council (and municipal taxpayers) is achieved through quarterly and annual reports, performance metrics, and other measures. The contractor is able — indeed, may be expected — to leverage additional funds from other sources to pay for key initiatives.

## PROS & CONS

The points in the adjacent table speak to some of the model's pros and cons.

PROS	CONS
<ul style="list-style-type: none"><li>&gt; not constrained by City's administrative processes or systems</li><li>&gt; level/type of interaction with City prescribed in legal contract (no interference)</li><li>&gt; able to take certain decisions and actions that the City may not be able to</li><li>&gt; part of community, connected to other groups</li><li>&gt; able to leverage funding</li></ul>	<ul style="list-style-type: none"><li>&gt; economic development function may not be the contractor's sole focus</li><li>&gt; perceived as less transparent than other models</li><li>&gt; perception that contractor (e.g., Chamber, BOT) exists, primarily, to promote interests of members</li><li>&gt; takes effort to connect with City departments, since contractor not "at the table"</li></ul>

## WHERE IT IS USED

The model is used in some smaller communities, such as the Town of Osoyoos (Destination Osoyoos), City of Nelson (Nelson & District Chamber), Gabriola Island (Gabriola Island Chamber) and the District of Houston (Houston Chamber), to name only a few.

Some larger cities also contract economic development to other parties — the City of

Burnaby (Burnaby Board of Trade) is a key example. The Comox Valley Economic Development Society is an example of a contract organization at a sub-regional level.

In 2017, the City of Nanaimo contracted tourism services, which were previously provided as part of the economic development function, to Tourism Vancouver Island.

## SUCCESS FACTORS

Success factors that are important for the Service Contract Model include the following:

- ▶ **Hands-Off** — the City sets out the scope of services in the contract, and manages the contract to ensure that performance targets are met and reports are received; the City does not direct the contractor in its decision-making or activities
- ▶ **Inclusive** — leaders from business, post-secondary, First Nations, non-profits, public sector, and others are engaged to set the community's economic strategy — a strategy that, in turn, informs contractor's scope
- ▶ **Clear Terms** — the contract has clear terms of service for which the contractor can be held accountable
- ▶ **Multi-Year Contracts** — contract terms are long enough (e.g., 5 years) to provide stable funding and certainty of service provision, and to transcend political terms of office
- ▶ **Leveraged Funding** — the City provides sufficient and stable core funding; the contractor is expected to leverage additional funding for initiatives
- ▶ **Accountable** — quarterly/annual reports, performance metrics, and other measures are put in place to ensure accountability to Council (and taxpayers) for public funds
- ▶ **Connected & Coordinated** — the contractor has strong connections to other groups in the community that are involved in some type of economic development activity

# SELECTING A MODEL



## WHICH IS BEST?

Each of the three models represents a legitimate vehicle for the delivery of some or all parts of the City's economic development function. Arguably, any one of the models could be developed in a way to meet the needs of the community. The choice of preferred model or hybrid approach, however, will be informed by a number of factors, such as:

- ▶ **Scope of Function** — The preferred model may depend on the ultimate scope of the City's function. A broad scope, with business attraction efforts alongside research, data analysis, and support for existing businesses, may point to the need for a hybrid approach that combines elements of more than one model. (The City's scope, it is expected, will be informed by a new economic development strategy.)
- ▶ **Level of Independence** — The level of independence from the City may be an important consideration, particularly for those who have been involved in past economic development efforts. For some of these people, the preferred model will be that which provides strong autonomy, including freedom from City processes and systems. For others, the strong connections to civic administration and Council that are associated with the In-House Model will trump autonomy.
- ▶ **Cost** — The potential cost savings associated with the In-House Model (for a defined scope of activities) may influence the choice of model.
- ▶ **Inclusiveness** — The need to meaningfully include a broad range of leaders and representatives in setting priorities, developing initiatives and guiding activities is a success factor for all models. The nature of inclusion, and the roles that leaders and representatives are able to play, however, will vary by model.
- ▶ **Accountability & Transparency** — Mechanisms can be developed to incorporate a high level of accountability and transparency into all of the models. Some people, however, will feel that certain models are inherently more accountable and transparent than others.
- ▶ **Support of Community** — The preferred model (or hybrid approach) is one that will be endorsed not only by the public, but also by leaders whose active participation in economic development is critical to Nanaimo's prosperity. These leaders represent the business community, post-secondary institutions, First Nations, non-profit groups, the public sector (including Council), and others (e.g., airport, port). Their perspectives and concerns are being sought through the current service model review.

## YOUR INPUT

Your thoughts on these points and others are needed to help the City select the preferred economic development service model for Nanaimo. Please take a minute at [www.nanaimo.ca/goto/economicdevelopment](http://www.nanaimo.ca/goto/economicdevelopment) to complete a survey. The survey findings will be reported to Council and available online for the community to review.

## APPENDIX III

### MODELS USED IN OTHER CENTRES

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The three basic models — In-House Model, City-Owned Agency Model, Service Contract Model — are used in different centres in British Columbia and across Canada. This appendix provides some examples of centres that use each type. Note that in certain places identified here under the City-Owned Agency and Contract Models, an in-house economic development function also exists to provide a limited scope of service. In these places, the in-house component tends to be modest in nature — the economic development "brand" is associated with the Agency or contractor. Places with hybrid approaches are not identified separately in this appendix.

#### IN-HOUSE MODEL

Most municipalities across British Columbia deliver economic development through an in-house economic development office or department. Examples include the Cities of Richmond, Surrey, Prince George, Coquitlam and Campbell River. The Regional District Central Okanagan (Greater Kelowna) uses the model to deliver economic development for its members, as does the Cowichan Valley Regional District.

#### CITY-OWNED AGENCY MODEL

Places in British Columbia that use the City-Owned Agency Model include the City of Kamloops (Venture Kamloops) and the City of Vancouver (Vancouver Economic Commission). There are many examples of economic development agencies outside of BC, including Calgary, AB (Calgary Economic Development), Edmonton, AB (Edmonton Economic Development Corporation), London, ON (London EDC), Kingston, ON (Kingston EDC, Waterloo Region, ON (Waterloo EDC), Halifax, NS (Halifax Partnership), and others.

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