



Hamilton

CITY OF HAMILTON

PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

TO: Chair and Members General Issues Committee	WARD(S) AFFECTED: CITY WIDE
COMMITTEE DATE: December 5, 2012	
SUBJECT/REPORT NO: Community Economic Development (CED) Strategy (PED12189) (City Wide)	
SUBMITTED BY: Tim McCabe General Manager Planning and Economic Development Department	PREPARED BY: Neil Everson (905) 546-2424, Ext. 2359
SIGNATURE:	

RECOMMENDATIONS

- (a) That a Community Economic Development (CED) Strategy be investigated and developed through a consultation process with stakeholders (i.e. Hamilton Roundtable for Poverty Reduction, organizations involved in social enterprise, etc.) from the community, and that the CED strategy be subject to the review and approval by City Council;
- (b) That, in order to test a Community Economic Development (CED) Strategy, a three year pilot project be formulated and implemented in a geographically defined neighbourhood, chosen by Council, and that staff from the City Manager’s Office, Planning and Economic Development, Community Services and Corporate Services Departments be involved on an “as needed” basis to ensure successful development of this special project.

EXECUTIVE SUMMARY

Per the Council direction from the July 4, 2011 General Issues Committee meeting, Economic Development Division staff are reporting back on the request to examine the

merits of incorporating “Community Economic Development” and “Pro-Poor Economic Development” programs as part of the City’s overall economic development strategy.

After research and consultation with experts in the community and other senior staff in the City of Hamilton, it was concluded that a “pilot project” for a Community Based Economic Development Strategy could be implemented for a three year term. If this pilot proves successful and achieves results satisfactory to Council, then the program could be continued and/or expanded and included as a component of the next version of the City of Hamilton’s Five Year Economic Development Strategy that will commence formulation in 2015.

The “Pro Poor” Economic Development Strategy approach was also researched and this is clearly an economic policy tool designed for third world and developing countries. There is no evidence of any such strategy being used in Canada or the United States and it is not recommended as a means to continue Hamilton’s economic renaissance. The reason being is that it would completely contradict and jeopardize the marketing and promotion efforts of the City that has positioned Hamilton as one of the leading places to invest in the province and the country.

Although both Community Economic Development and Pro-Poor Economic Development are strategies that could produce some localized benefits if implemented, they are incapable of achieving Council’s primary mandate for economic development being: attracting new business investment to the City; creating living wage jobs; and, retaining and growing the existing business base in Hamilton.

Alternatives for Consideration – See Page 9.

FINANCIAL / STAFFING / LEGAL IMPLICATIONS

Financial: Initial funding can be provided within existing budgets of the Planning and Economic Development Department and the City Manager’s Office, Neighbourhood Development. Upon completion and approval of the Community Economic Development Strategy, any additional funding required for its implementation will be referred to the 2014 Budget Process.

Staffing: The staffing will be accommodated through the existing complement in the City Manager’s Office, Planning and Economic Development Department, Community Services Department, and Corporate Services Department.

Legal: None.

HISTORICAL BACKGROUND

Pursuant to the General Issues Committee Report 11-023 of July 4, 2011, and approved at the City Council meeting of July 7, 2011, the following motion was approved as a component of a presentation on the “Economic Impact of Social Assistance in Hamilton”:

- c) *That the Economic Development Department be directed to report back to Council regarding the incorporation of Community Economic Development strategies and “Pro-Poor” economic development strategies, as a necessary and vital part of the overall economic development policy, and that staff develop their reporting consultation with stakeholders and experts in the community as an addendum to the City’s 5-year strategic plan.*

City staff conducted research on both of these strategies (Pro-Poor and Community Economic Development) during the last quarter of 2011 and early 2012, the findings of which can be found in the ***Analysis/Rationale for Recommendation*** section of this Report. In early 2012, staff met with the Director of Neighbourhood Development Strategies in the City Manager’s Office (CMO) to explore ways in which the CMO and Economic Development Division could collaborate on a means to implement a Community Economic Development Strategy on a “pilot project” basis. It was agreed that a multi-department team of senior staff should be formed to lead the initiative and per Council’s direction, that an extensive consultation process with stakeholders and experts in the community be initiated upon receiving Council direction to proceed with the CED.

POLICY IMPLICATIONS

- Implementing a Community based Economic Development Strategy, with specific incentive programs, etc., may require a new Community Improvement Plan (CIP) or amendment to an existing CIP

RELEVANT CONSULTATION

- Director of Hamilton Roundtable for Poverty Reduction
- Director of Neighbourhood Development Strategies, City Manager’s Office
- Employment and Income Support and the Social Development and Early Childhood Services Divisions, Community Services Department
- Capital Budgets Section, Corporate Services Department

ANALYSIS / RATIONALE FOR RECOMMENDATION

This General Issues Committee Report presents information to Council on both “Pro-Poor” economic development strategies and “Community based” economic development strategies. It must be noted that these are two completely different approaches to economic development, each with its own set of principles and objectives. This Report examines the feasibility of incorporating each into the overall Economic Development Policy, as identified in the City’s Five-Year Economic Development Strategy, approved on June 18, 2010. The Report will, additionally, present and recommend a suggested course of action with respect to this Council direction.

Pro-Poor Economic Development Strategies

“Pro-Poor” economic development strategies have one primary goal, being that no person in society be deprived of the minimum basic necessities and capabilities. These are strategies that are “bottom up” driven and are deliberately biased in favour of the poor, specifically so that the poor benefit proportionately more than the rich. This contrasts traditional economic development strategies employed in “developed countries” which emphasize the goals of promoting individual self-reliance, entrepreneurship, expansion of trade, wealth generation, competitiveness, and the reduction of unemployment.

Research demonstrates that there are no municipalities of a significant size in developed countries that utilize a “Pro-Poor” Economic Development Strategy. By far, this type of strategy is most prevalent in developing and transitioning countries such as Lao PDR, Thailand, South Africa, Armenia, etc. Generally, there seems to be two policy approaches:

- 1) **A “Pro-Poor” Tourism and Local Economic Development Strategy** that essentially delivers the employment and economic benefits of tourism to an impoverished local population. Successful applications of this approach can be found in Malawi, Cuba, Nepal, and South Africa; and,
- 2) **A “Pro-Poor” Rural Economic Development Strategy** that endeavours to establish sustainable rural livelihoods by providing access to employment for the rural poor. Some of the best examples of this approach are found in countries like Bangladesh, South Africa, and Sri Lanka.

According to the Organization for Economic Co-operation and Development (OECD) 2009 Millennium goals:

“Productive employment and decent work are the main routes out of poverty. Well-functioning labour markets and an enabling environment for local entrepreneurship are essential to increase employment opportunities for the poor.”

Similarly, in a report published in 2004 by the Asian Development Bank (ADB), as a result of the rapid economic growth in many of the countries in the Asian region:

“The number of people living on less than \$1 per day has fallen to 22% from a total of 34% just five years earlier.”

The ADB credits their considerable progress in the fight against poverty to the existence of strong regional and national economies and the manufacture and export of tradable goods.

Is a “Pro-Poor” Economic Development Strategy suitable for Hamilton? Under the current economic structure in Canada, it is a fact that not all the benefits of economic growth are evenly distributed, and there is also no denying that Hamilton has a poverty problem that must be resolved. However, the conditions, challenges and opportunities that exist in the City of Hamilton are significantly different than those of the poor in developing countries. For example, residency in Canada provides benefits to the poor that include:

- an income supplement;
- access to health care;
- affordable housing;
- access to subsidized day care;
- access to employment services and training; etc.,

most of which do not exist in countries where “Pro-Poor” economic development strategies are currently in use. Consequently, this approach to economic development would have Hamilton venture into “uncharted waters” where there is no template or best practice that exists which could be used to formulate and implement a “Pro-Poor” strategy in the ninth largest metropolitan centre in one of the world’s most developed countries.

The other major concerns regarding the implementation of a “Pro Poor” economic development strategy in Hamilton are the impacts on the delivery/success of the current five-year Council approved Economic Development Strategy and the mixed messages it sends to the local, provincial, national and international investment/business communities regarding Hamilton being amongst the best cities to establish and operate a business. Since the middle of August 2012, Hamilton has been recognized by two

independent real estate and site selection authorities as the best place to invest in Ontario and Canada, respectively. The latter, determined by Atlanta-based Site Selection Magazine, involved the City of Hamilton surpassing Toronto for the first time ever as the premier place to invest in Canada.

Community Based Economic Development (CED) Strategies

“Community based” economic development strategies are defined as:

“The processes of change generated through place-based economic activities that are controlled by, or at least oriented toward, local residents for their betterment” (Gordon Nembhard 1999).

These Community Based Economic Development (CED) strategies all meet three basic conditions:

- 1) They are consistent with community values and priorities;
- 2) They benefit the economic disadvantaged constituency; and,
- 3) They incorporate some element of community control.

Community Economic Development (CED) Strategies encompass a variety of community empowerment and business development approaches, such as political advocacy, constituency group organizing, entrepreneurship development, education, job training, and labor development. The result is a strategy that empowers individuals and groups of people by providing them with the skills they need to affect change in their own communities.

CED strategies are in practice world-wide but are more prevalent in developing countries. Research indicates that in Canada they are largely found in smaller northern and rural communities such as Moose Jaw, Saskatchewan; Valemont, British Columbia; Sydney, Nova Scotia; and, Collingwood and Rainy River, Ontario. These CED strategies were instituted in these locations because the majority of these communities were “one industry” towns that were attempting to recover from a significant downsizing or the loss of the major employer. One of the major attributes of a CED strategy is its ability to integrate both the economic and social goals through self-help, local leadership, networking, local capacity building and social capital formation. On the downside, a CED strategy can not immediately transform a local neighbourhood or segment of the population. It is a slow, long-term process wherein the growth is incremental, adding only a handful of jobs and/or new businesses per year. Further, a CED strategy simply does not have the ability to measurably increase non-residential assessment, create large numbers of jobs or produce quantifiable “spin-off” activity in a relatively short time frame, as compared with the results generated from a traditional Economic Development Strategy.

It is for these reasons that the Federal Government established its Community Futures Program that is delivered nation-wide in most northern and rural communities. Large urban municipalities are not eligible for the Community Futures program that provides strategic community planning and socio-economic development; support for community-based projects; business information and planning services; and access to capital for small and medium-sized businesses and social enterprises.

Locally, there have been recent activities focussed on CED. An example is the micro-loan initiative spearheaded by a partnership between a number of organizations including the Hamilton Community Foundation and First Ontario Credit Union. These small loans encouraged self-employment and provided support through the business expertise of community partners. One outcome of this program was the creation of a number of licensed home child-care programs in businesses.

A number of social enterprises are also emerging in Hamilton, providing an opportunity for employment through businesses that carry a strong social mandate. Examples include the New Hope Bike Co-op in Hamilton's east end, the Catering and Janitorial businesses through Mission Services and Good Shepherd Works which provide a variety of services in the community and jobs for people who might not otherwise find work.

Through the efforts of Social Enterprise and Economic Development (SEED) a number of Hamilton organizations and businesses are collaborating to scale up CED opportunities.

In other large Canadian cities, CED activity exists and it is often led by community organizations with a range of approaches including micro-loans, "buy local" campaigns, support for social enterprise and access to mentors for entrepreneurs. A trend seems to be emerging to include the principles of CED as part of municipal economic development strategies. For example, Edmonton City Council has indicated that CED is a priority initiative and, as such, they are hiring staff to support this direction.

One example of "place based" CED is found in the City of Toronto where the Toronto City Housing Corporation (TCHC) is the lead organization for the strategy. The primary goal of Toronto's CED strategy is to promote economic resiliency in TCHC communities as a means of breaking the cycle of poverty and contributing to the creation of healthy communities. The objectives of the TCHC community-based Economic Development Strategy include the following:

- Nurturing individual and community pride, assets, self-reliance, and leadership to enhance the resiliency of TCHC communities;
- Enhancing community knowledge, community skills and increasing community participation;
- Contributing to the conditions that develop businesses that are responsive to social, economic, and environmental needs;

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- Identification of ways in which TCHC purchasing power can benefit tenants and neighbourhoods in which they have housing communities to improve their economic health;
- Fostering conditions for balanced, equitable, and sustainable economic development to break the cycle of poverty; and,
- That the economic benefits must apply to all individuals in all stages of life.

This TCHC led CED strategy is another “bottom up” type approach to economic development but it is “place-based” and tailored for application to specific neighbourhoods.

Perhaps one of the best examples of a Community-based Economic Development Strategy currently in practice throughout North America (in both large and small communities) is a Business Retention and Expansion (BR&E) Program. BR&E Programs work to improve the competitiveness of local businesses by identifying and addressing their needs and concerns and building on business development opportunities. This is crucial to the sustained viability of communities since businesses that stay competitive are more likely to remain and expand in the community. The City of Hamilton’s BR&E Program is presently ranked amongst the top in the country and it allocates considerable staff and resources to "nurturing and supporting" our existing businesses.

The City of Hamilton’s Five-Year Economic Development Strategy (approved by Council June 18, 2010) is the most integrated and community-driven economic development plan in the City/Region’s history. The strategy was developed to immediately deliver on Council’s three priority objectives for economic development:

- 1) Increase non-residential assessment;
- 2) Increase job creation; and,
- 3) Retain and grow local businesses.

Based on four foundational principles: diversification, entrepreneurship, innovation, a quadruple “bottom line” philosophy (economic, environment, social, and cultural), the strategy has identified both short (< 4yrs) and long (> 4yrs) deliverables to measure its success. After two years of implementing the strategy, 110/196 or 56% of the short term deliverables have been achieved and 24/62 or 39% of the long term deliverables have been realized.

The City’s new strategy already addresses many of the objectives of a “Community Based” Economic Development Strategy through its six components; Infrastructure for Innovation; Community Development; Quality of Life; Workforce Development; Business Development; and, Comprehensive Marketing Plan. Although many actions in each of these components apply to different geographic areas of Hamilton, it does not focus on a specific “place-based” location or individual communities like a CED Strategy. To do so would require separate economic development strategies for each designated

“community” area, and more resources than are currently allocated to the Planning and Economic Development Department to implement these strategies.

Virtually every municipality in North America has a master strategic plan for economic development. These traditional strategies are neither “Pro-Poor” nor “Community Based” in nature. They are designed to allow a municipality to compete regionally, nationally and internationally for business investment. The recommendations and actions contained in these plans apply to cities with designated/established employment areas and business parks. These strategies are dominated by business attraction and business retention & expansion programs that can immediately produce the priority objectives mandated by their respective City Council or Board of Directors

Should “Community Based” economic development strategies be incorporated as a necessary and vital part of the overall economic development policy for Hamilton? To some extent it already exists in the Community Development section of the Council approved Five-Year Economic Development Strategy. Specifically, this major component includes Brownfield redevelopment, BIAs, the Downtown Core and Hamilton’s Waterfront. However, in order to fully deliver on multiple new Community Based strategies it would require that either existing resources, now earmarked to the implementation of the Five-Year Plan be reallocated or an addition of new resources and budget be supported for this initiative. That being said, there exists an excellent opportunity to implement a Community Economic Development Strategy in Hamilton on a “Pilot Project” basis. Whether three years will be sufficient time to determine its feasibility and if it can generate measurable and sustainable economic development results is a difficult question to answer. However, if the test pilot can demonstrate some tangible benefits, then allowance can be made in the next version of the City’s Economic Development Strategy (and the corresponding budgets of participating departments) to incorporate Community-Based Economic Development.

ALTERNATIVES FOR CONSIDERATION

Option 1: That the City of Hamilton establish a multi-department task force of senior staff to investigate and determine the viability of implementing a Community Based Economic Development Strategy. Further, that this task force recommend to City Council one specific neighbourhood for a three year “pilot” Community Based Economic Development Strategy. This team should be led, jointly, by the Director of Neighbourhood Development Strategies out of the City Manager’s Office and the Director of Economic Development (or his designate) with senior staff support from City Housing Hamilton, the Community Services Department, the Corporate Services Department, and the Planning and Economic Development Department and, in particular, a representative from the Urban Renewal Section and the Small Business Enterprise Centre. The “pilot” project would enable staff to determine the effectiveness of this CED approach to economic development and to develop an on-going consultation with stakeholders and experts in the identified community. This option is recommended by staff.

Option 2: That, per City Council direction, staff completes an addendum to the Council approved Five-Year Economic Development Strategy to include Pro-Poor and Community Based Economic Development Strategies that have been developed in consultation with stakeholders and experts in the community. Due to reasons presented in the ***Analysis/Rationale for Recommendation*** section of this Report and the limited resources to deliver the existing Economic Development Strategy, this option is not recommended.

CORPORATE STRATEGIC PLAN

Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability, 3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development, 6. Environmental Stewardship, 7. Healthy Community

Skilled, Innovative & Respectful Organization

- ◆ More innovation, greater teamwork, better client focus
- ◆ Council and SMT are recognized for their leadership and integrity

Financial Sustainability

- ◆ Financially Sustainable City by 2020
- ◆ Generate assessment growth/non-tax revenues

Intergovernmental Relationships

- ◆ Acquire greater share of Provincial and Federal grants (including those that meet specific needs)
- ◆ Maintain effective relationships with other public agencies

Growing Our Economy

- ◆ Newly created or revitalized employment sites
- ◆ Competitive business environment
- ◆ An improved customer service

Social Development

- ◆ Hamilton residents are optimally employed earning a living wage

APPENDICES / SCHEDULES

None

NE/dkm