



## **REPORT**

**REPORT TO:** Chair and Members of the Community and Corporate Affairs Committee

**REPORT FROM:** Damian Szybalski, Director of Economic Development, Innovation and Culture

**DATE:** January 14, 2020

**REPORT NO.:** ADMIN-2020-0002

**RE:** Draft Foreign Direct Investment (FDI) Attraction Strategy

### **RECOMMENDATION:**

THAT Report No. ADMIN-2020-0002, dated January 14, 2020, regarding the draft Foreign Direct Investment (FDI) Attraction Strategy, be received;

AND FURTHER THAT the draft FDI Attraction Strategy, appended to this report, be approved;

AND FURTHER Town staff report back to Committee and Council with the final FDI Attraction Strategy.

### **BACKGROUND:**

Through Memorandum ADMIN-2019-0015, dated October 30, 2019, the Community and Corporate Affairs Committee was provided with an update on the 'State of Economic Development' in Halton Hills. One of the key initiatives highlighted was the development of the Foreign Direct Investment (FDI) Attraction Strategy.

Initiated in 2019, the FDI Attraction Strategy is part of the Town's comprehensive economic development toolkit. This toolkit provides support to existing businesses as well as ways of attracting new investment and economic growth. The Community Improvement Plan, Manufacturing Expansion Fund and Business Concierge Service are some of the other tools.

The FDI Attraction Strategy is a 5-year roadmap, accompanied by a 3-year Action Plan. The Strategy is practical and actionable. It will assist Halton Hills in being competitive and growing the local economy by identifying new international markets and actions to best access them. FDI attraction is the process of attracting international companies to

establish operations in Halton Hills. The Strategy is business-case and results driven. It augments and aligns with regional, provincial and national FDI efforts, and is tailored for Halton Hills.

The Strategy will feed into the broader Economic Development and Tourism Strategy, which is under development. It is also part of the Town's continued shift towards a more strategic approach to economic development.

International trade is an important factor in raising living standards, creating jobs and enabling consumers to enjoy a greater variety of goods and services. FDI attraction can lead to local job and assessment growth.

With over 10,000 new jobs created in 2018 due to FDI, Ontario is a leading destination for investment in North America.<sup>1</sup> According to the Halton Region 2018 Business Conditions survey, businesses in Halton Region have a global reach. About 26% of respondents exported products or services outside of Canada. Products or components were imported by 41% of respondents from outside of Canada. Increased or steady export sales were experienced by 82% of the respondents. Exports and imports to and from Halton span the globe - North America (i.e. US), South America, Europe, Africa, Asia and Australia. In Halton Hills, several of the Town's largest employers have existing international trade relationships.

FDI is a major driver of economic development. According to the Conference Board of Canada, each \$1 spent on FDI generates \$3.20 in total economic activity. With trade liberalization and interconnected global supply chains, competition for FDI continues to intensify. Canada acts as a stepping-stone for corporate expansion to the North American and European markets. Investors from the US, Germany, Japan, Brazil and China see Canada as a preferred investment destination. Halton Hills can leverage Canada's attractive business environment, access to capital, cost competitiveness, market access, incentives and solid economic fundamentals to attract FDI. FDI can benefit existing local businesses by expanding export opportunities, attracting a highly skilled/professional/technical workforce, facilitating technology transfer, providing access to new supply chains, and creating new business opportunities.

Based on a comprehensive SWOT analysis (see Table 4.1 in Strategy), Halton Hills is well positioned as a preferred destination for FDI. Similar to the efforts of other municipalities actively pursuing investment attraction, the Town's FDI Strategy positions Halton Hills to take a proactive approach to FDI attraction.

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<sup>1</sup> IBM's "Global Location Trends 2019" report.

## **COMMENTS:**

### **1. Overview**

Based on a review of best practices and stakeholder engagement, the Halton Hills FDI Attraction Strategy:

- Provides an actionable and business case-based roadmap for Halton Hills to be competitive and grow its local economy;
- Augments and aligns with regional, provincial and national FDI efforts;
- Identifies and leverages untapped economic development potential;
- Makes strategic market recommendations, which align with local opportunities, and Federal and/or Provincial trading strengths, target markets, sectors and policy direction;
- Recommends how best to raise awareness of Halton Hills' Unique Value Proposition (UVP) in foreign markets;
- Identifies and builds on strengths of the existing local business community; and
- Recommends export growth opportunities.

The Strategy leverages Halton Hills' high quality of life, strategic location, open for business approach, and builds on past economic development successes, including prior experience with FDI attraction throughout the region.

### **2. Halton Hills Unique Value Proposition (UVP)**

Halton Hills' Unique Value Proposition (UVP) consists of the main reasons for why a potential international investor would opt to invest in Halton Hills. These reasons are:

- Economic context and benefits of being located in Canada, Ontario, the GTA and Halton Region.
- Proximity and access to market.
- Labour force availability and costs.
- Low-risk business environment.
- Cost competitive business environment.
- Access and proximity to world-class education.
- Leadership in innovation (e.g. R&D Tax Credits, Economic Development Grants and Subsidies).
- Extensive and superior infrastructure.
- Availability of industrial land.
- Availability of residential real estate.
- Business networks and political stability.
- Diverse and multi-cultural population.
- Premier region for Quality of Life.
- Key sector profiles/featured companies.

### **3. Strategy Structure**

Halton Hills' FDI Attraction Strategy starts by outlining the purpose of the Strategy (Section 1). Section 2 puts Halton Hills in a broader context of pursuing FDI, including Provincial initiatives and the benefits of FDI. Section 3 addresses the role and importance of international trade and investment. These sections set the stage for Section 4, which outlines the Goals, Objectives, Strategies and Actions that respond to the key issues facing Halton Hills as identified by the research and outlined in the SWOT analysis. Section 5 provides a three-year implementation schedule that outlines the timing and resources required to carry out the recommended Action Plan. Section 6 provides a Monitoring Program to assist with Strategy implementation. To conclude, Section 7 outlines Halton Hills' first mission to attract FDI.

The accompanying appendices (A through J) supplement the FDI Attraction Strategy. They provide an in-depth overview and analysis of the Halton Hills context (Appendix A); employment lands supply and FDI investment readiness (Appendix B); target sectors for investment attraction (Appendix C); overview of the Lead Generation Funnel to effectively seek and manage investment opportunities (Appendix D); trends in FDI attraction (Appendix E); factors influencing investment and site selection decisions (Appendix F); results of a marketing and communication audit (Appendix G); analysis of Halton Hills' strengths and weaknesses (Appendix H); an overview of international markets (Appendix I); and guidance on targets and tactics to manage potential investments (Appendix J).

### **4. Goals**

The Strategy is framed around six Goals:

- Goal 1: Enhance and promote Halton Hills' presence in the global market.
- Goal 2: Convince potential international investors in sectors such as advanced manufacturing, agri-business/food processing and renewable energy that Halton Hills is the best place to locate in North America.
- Goal 3: Market Halton Hills as a preferred location for investment in advanced manufacturing, food processing and clean technologies.
- Goal 4: Work with the local business community to remove barriers to business, streamline the approvals process, gain their commitment to invest, expand and create jobs and support the efforts of the Economic Development Division.
- Goal 5: Engage with public and private sector organizations to build partnerships that will promote Halton Hills as an attractive location for investment.
- Goal 6: Develop partnerships with public and private sector stakeholders that will strengthen the Town's investment readiness.

Corresponding to each Goal are a series of actions for implementation.

## 5. SWOT Analysis

In formulating the Strategy, the consultants conducted a workshop involving the Town’s Senior Management Team (SMT), held 1-1 meetings with Councillors, participated in a roundtable discussion on economic development, and interviewed a number of public and private sector stakeholders to better understand the advantages and challenges that businesses face in Halton Hills. Halton Hills’ economy was analyzed to identify key areas of strength. Global trends were considered and target foreign markets identified. This information was then incorporated into a SWOT analysis (Figure 1).

**Figure 1: Key Issues and Opportunities Facing Halton Hills**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Perception that Canada and Ontario are an attractive place to do business.</li> <li>• Being located in Canada/Ontario/Toronto region offers investors business, HR, R&amp;D, finance, education and market access advantages.</li> <li>• Quality of life attributes – including “small town living at its best”, recreational opportunities, trails, cycling, arts and culture, etc – are considered an advantage for some companies in certain markets.</li> <li>• Confirmation of lake-based servicing.</li> <li>• Planned development within the Vision Georgetown Secondary Plan and associated expanded housing supply.</li> <li>• Strong municipal support for new investment.</li> <li>• Council approved Transit Service Strategy.</li> <li>• Town approval of the Phase 1B Secondary Plan, and launch of the Phase 2B Secondary Plan process to bring additional employment lands on stream.</li> <li>• GO Transit train and bus service.</li> <li>• Launch of the Town’s Business Concierge service to streamline investment attraction and approvals.</li> </ul>	<ul style="list-style-type: none"> <li>• The lack of public transit makes it difficult to attract semi-skilled workers, especially when operating multiple shifts.</li> <li>• Lack of affordable housing makes it difficult to establish a robust local labour force.</li> <li>• The current lack of shovel ready industrial lands will discourage investors with immediate plans.</li> <li>• The lack of fibre in certain areas makes it difficult to attract companies that rely on high-speed connectivity.</li> <li>• No dedicated staff resources exclusively for FDI Investment attraction (*existing staff resources are sufficient to lead FDI attraction in 2020. Need for dedicated/additional resources will be considered as part of the 2021 Budget).</li> </ul>

<ul style="list-style-type: none"> <li>• Development of an integrated Economic Development and Tourism Strategy, and Town’s strategic approach to economic development.</li> <li>• Existing Town ‘Economic Investment Attraction Fund’.</li> </ul>	
<p style="text-align: center;"><b>Opportunities</b></p>	<p style="text-align: center;"><b>Threats</b></p>
<ul style="list-style-type: none"> <li>• Strength in advanced manufacturing and food processing.</li> <li>• Potential renewable energy investment business case (IBC).</li> <li>• Target foreign corporations that can strengthen and diversify the Town’s key clusters, can leverage and stimulate innovative R&amp;D and are diversifying into less volatile markets.</li> <li>• Focus on foreign markets where strong economic growth is creating a pool of well-financed organizations seeking to globalize.</li> <li>• Availability (existing and planned) of about 423ha of industrial lands to accommodate future development/investments and/or redevelopment.</li> <li>• Ongoing widening of Hwy 401 and expanded transportation infrastructure/market access.</li> <li>• Town’s focus on climate change as a priority, aligned with Federal government’s priorities.</li> <li>• Designation of Provincially Significant Employment Zones.</li> <li>• Opportunity to leverage partnerships and expertise of other organizations, including Halton Region (e.g. Small Business Centre and Global Business Centre, past regional experience with trade missions), provincial and federal agencies, foreign consulates in key markets, Toronto Global, etc.</li> <li>• Launch of the Affordable Housing Working Group.</li> <li>• Location in the Innovation Corridor.</li> </ul>	<ul style="list-style-type: none"> <li>• Other communities within Halton Region that have shovel ready land or existing industrial buildings for lease might ultimately secure the investment as a foreign investor might have no immediate local alternative.</li> <li>• The growth of emerging economies provides more choice for potential investors, intensifying the global competition for FDI.</li> <li>• Other communities within the Toronto region are also competing for FDI and have their own in-market initiatives designed to attract investment.</li> <li>• Toronto region communities are also competing for advanced manufacturing and food processing investment</li> <li>• Need to balance investment attraction with pace of growth.</li> </ul>

## 6. Target Sectors and Markets

The Strategy is focused on foreign markets where there is strong economic growth, resulting in a pool of well-financed organizations seeking to globalize. Based on a review of Halton Hills' UVP, existing trade relationships, existing and emerging business sectors, strategic focus areas (e.g. climate change and sustainable development), and potential business opportunities, the Strategy recommends that the Town focus its investment attraction efforts on the advanced manufacturing, agricultural-business, food manufacturing and clean technology sectors. The two key markets that provide opportunities for these sectors are the Netherlands and Germany. The latter align with Canada's and Ontario's key foreign markets and free trade agreements.

To effectively market Halton Hills and secure investment, based on best practices, the Strategy recommends that the Town undertake two targeted and business focused trade delegations, preferably starting in 2020, based on pre-qualified investment leads. The missions would target the Netherlands and Germany, and center around pre-arranged face-to-face meetings with senior company executives. Aside from a match in target sectors, the Netherlands and Germany are among Canada's key trade partners, are experiencing robust economic growth, offer a stable business and political environment, and already are major sources of foreign investment into Canada. The draft Strategy provides a much more detailed overview of the target markets, especially the Netherlands – as the first recommended trade mission.

To maximize investment, export and import benefits, Halton Hills's trade missions will be designed to focus on attracting new investments from abroad, as well as on creating opportunities for existing local businesses to access overseas business development opportunities. As much as possible, local companies will be invited to participate in each mission to act as ambassadors and to take advantage of new export market opportunities.

## 7. Action Plan

A key part of the 5-year Strategy is a 3-year Action Plan (see Section 4.1 of Strategy). Taking into account available resources, the Action Plan outlines specific actions designed to increase local jobs and investment to improve the non-residential to residential assessment ratio. The Action Plan's recommendations are focused on:

- *Allocation of resources to implement the FDI Strategy* (e.g. dedicated resource; cross-departmental collaboration; financial tools; leveraging of external programs and funding sources).<sup>2</sup>
- *Generating business investment leads through targeted marketing and trade missions* (e.g. trade missions to the Netherlands and Germany; implementing a

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<sup>2</sup> Existing staff resources are sufficient to lead FDI attraction in 2020. Need for dedicated/additional resources will be considered as part of the 2021 Budget.

program to generate international investment leads; pre-qualifying investment opportunities; identifying international companies as perspective investors; and developing Investment Business Cases to showcase investment-ready projects in the Town's target sectors).

- *Showcasing Halton Hills as a preferred investment location* (e.g. developing and presenting the Investment Business Cases; identifying a network of in-market stakeholders that can assist in promoting Halton Hills; and regular networking with the Canadian Posts/Embassies/Consulates in international markets).
- *Collaboration with the local business community to support the Strategy's implementation* (e.g. leverage Business Concierge services, survey of existing businesses, launch a business visitation program or a Business Expansion a Retention Program; information sharing related to business start-up, business planning, financing, permitting, etc; expand business networking opportunities for FDI-specific discussions, including monitoring, and identification of investment opportunities).
- *Promoting Halton Hills as a preferred investment location to public and private sector organizations* (e.g. collaborate with provincial ministries and federal departments; implement a Communication Outreach Program; develop investment communication and marketing collateral; establish regular meetings with key provincial and federal FDI attraction contacts; collaborate with Halton Region; explore opportunities related to Toronto Global; join pan-regional agencies with an FDI mandate such as the Ontario Food Cluster; explore opportunities to scale-up the Town's Wenjiang Sister City partnership).
- *Strengthening the Town's investment readiness* (e.g. develop an Engagement protocol to support Strategy implementation, including an "Aftercare" and "Soft-Landing" program to provide tools and information to assist potential investors interested in locating in Halton Hills; and launch a team/network of senior advisors to assist potential investors with doing business in Canada).

## **RELATIONSHIP TO STRATEGIC PLAN:**

Implementation of the FDI Strategy will support the following Strategic Objectives:

- **Foster a Healthy Community:** To maintain and enhance a healthy community that provides a clean environment and a range of economic and social opportunities to ensure a superior quality of life in our community.
- **Protect and Enhance our Agriculture:** To protect and enhance the viability of our agricultural land base and agricultural industry.
- **Foster a Prosperous Economy:** To maintain and enhance the economic vitality of the Town through the provision of a wide range of opportunities for economic development.



## **FINANCIAL IMPACT:**

In 2020, implementation of the FDI Attraction Strategy will rely on existing resources, including the Economic Investment Attraction Fund, and assistance from the Senior Economic Development Officer and the Expeditor and Business Development Portfolio Manager. The need for additional resources will be assessed as part of the 2021 Budget. Town staff will also continue to actively pursue external funding sources.

## **CONSULTATION:**

The development of the Strategy benefited from input from a Project Steering Committee.

## **PUBLIC ENGAGEMENT:**

Stakeholder engagement was targeted and included a variety of methods, including visioning workshops; interviews with Councillors, local businesses and regional stakeholders; input from the Project Steering Committee; and website/e-news project information. Key stakeholders also included representatives from the Halton Hills Chamber of Commerce, and provincial and federal ministries and organizations. Input collected for the FDI Attraction Strategy is supplemented by the broader consultation being undertaken for the Economic Development and Tourism Strategy.

## **SUSTAINABILITY IMPLICATIONS:**

The Town is committed to implementing our Community Sustainability Strategy, Imagine Halton Hills. Doing so will lead to a higher quality of life. The recommendation outlined in this report advances the Strategy's implementation.

This report supports the Economic Prosperity pillar of Sustainability and, in summary, the alignment of this report with the Community Sustainability Strategy is Excellent.

## **COMMUNICATIONS:**

The draft Strategy will be made available on the Town's website(s) and via other communication channels, as appropriate.

Upon Strategy completion, extensive local, regional and international communication will take place to raise awareness of Halton Hills' interest in attracting investment.

## **CONCLUSION:**

Halton Hills' FDI Attraction Strategy is part of the Town's comprehensive economic development approach. The Strategy showcases Halton Hills' Unique Value Proposition (UVP) and provides an actionable roadmap for investment attraction.

The Strategy leverages and aligns with existing mandates and FDI programs. FDI Attraction Strategy will benefit existing Halton Hills businesses by growing export opportunities, attracting a highly skilled workforce, facilitating technology transfer, providing access to new supply chains, and creating new business opportunities.

Strategy implementation will be rooted in actions that respond to the strengths, weaknesses, opportunities and threats faced by Halton Hills. Comprehensive Business Cases, and the identification of pre-qualified business leads and tangible investment opportunities will drive implementation.

Reviewed and Approved by,

A handwritten signature in black ink that reads "Brent Marshall". The signature is written in a cursive style with a large, stylized initial 'B'.

Brent Marshall, Chief Administrative Officer