Economic Development through Partnerships – A Performance Evaluation

February 2013
Economic Development through Partnerships  
A Performance Evaluation©  

February 2013

Table of Contents  
Acknowledgement and Preamble ................................................................................. 4  
Objectives ...................................................................................................................... 5  
Scope .............................................................................................................................. 5  
Methodology .................................................................................................................. 6  
Executive Summary ....................................................................................................... 8  
Summary of Recommendations ...................................................................................... 20  
Management Response ................................................................................................. 25  

1.0 Defining Economic Development ........................................................................... 27  
1.1 Economic Development - an Overview................................................................. 27  
1.2 Economic Development in HRM - Legislative Authorities and Delegated  
    Supporting Roles to Greater Halifax Partnership and Destination Halifax .......... 29  
1.3 Other Economic Development Activities in HRM ............................................. 35  

2.0 Exploring Highest and Best Use of Inputs ............................................................ 41  
2.1 Critical Importance of Clear Strategy (Economic Performance Indicator) ............. 41  
2.2 Partnership Service Agreement - Greater Halifax Partnership .......................... 43  
2.3 Partnership Service Agreement - Destination Halifax ........................................ 46  
2.4 Integration of HRM’s Economic Strategy with its Business Plans and Budget..... 50  
2.5 Financial Support - Greater Halifax Partnership and Destination Halifax .......... 54  
2.6 Opportunities for Administrative Cooperation - Possible Integration of  
    Destination Halifax and Greater Halifax Partnership ......................................... 59  

3.0 The Theory of Leveraging - Risk Identification in Performance Measures Now and in  
    the Future if Trends Continue ............................................................................... 63
4.0 Value for Money and Performance Measures - OAG Comments/Concerns..............65

4.1 Impact of the HRM Method of Developing its Strategy on Outcomes and Performance Measures - the Need for a Strategy with a Three-Area Focused Approach by HRM........................................................................................................72
Acknowledgement of the High Level of Co-operation Received by the OAG

The Office of the Auditor General was most impressed with the level of professionalism and cooperation received from the leaders and board members with whom we interacted in completing this project and wishes to thank them for their time and support.

Preamble

This report is a high level analysis of the development, various funding levels, execution and achieved economic outcomes of HRM’s economic strategies, and more specifically the Halifax Regional Municipality (HRM) Economic Strategy 2005-2010.

The report provides a basic understanding of the role HRM plays in the economic development of the region and analyzes the value for money achieved from its current annual contribution of $1,400,000 to the Greater Halifax Partnership (GHP) and approximately $2,200,000 (made up of the allocation from the Marketing Levy of $1,800,000 and an operating grant in the order of $400,000) to Destination Halifax (DH), two agency partners with primary responsibilities in the area of economic and tourism development focused on promoting Halifax Regional Municipality.

The report sets out how it appears economic development is described by HRM and then provides an overview of the economic strategy and resulting activities adopted and funded by Regional Council.

A brief history of the development of Greater Halifax Partnership and Destination Halifax is provided, with some discussion around the activities of other stakeholders who also play key roles in developing the HRM economy.

The benefits and risks of the current service delivery model around economic development are explored, first from an oversight and management perspective and then, with a value for money focus. Within this context, the benefits of leveraging are also explored.

The economic development activities undertaken by the primary partners are analyzed both from a financial and measurable performance perspective.

Finally, the perceived need for a more focused approach to
economic development by HRM is discussed. Findings and recommendations are presented, as appropriate.

Objectives

The objectives of this review were:

1. To identify, where possible, programs, services, partnerships, relationships and activities associated with economic development within HRM, which are funded or otherwise supported by municipal resources

2. To gain a general understanding of the various levels of government and other entities, their programs and funding which impact economic development in HRM

3. To review the performance of the model HRM uses to develop, implement and support its economic strategy

4. To carry out a financial analysis of aspects of programs and partnerships identified, to quantify the level of investment being made to economic development

5. To determine whether or not the outcomes generated by individual activities are as expected and appear reasonable and justifiable for the level of investment made

6. To identify areas of duplication of effort in the delivery of economic activities, services or programs which may be occurring across the partnerships

7. To identify possible opportunities for consolidation or co-governance of activities, relationships and partnerships which are funded by HRM

8. To benchmark and measure, where possible, the success of the HRM Economic Strategy 2005-2010.

Scope

The scope of this project was focused in two areas. The first area was an analysis of historical transactions and outcomes related to

The second area of interest was in gauging the community’s acceptance of the HRM Economic Strategy 2011-2016 adopted by Regional Council for the next 5-year period.

We examined certain financial records and documents provided by Greater Halifax Partnership and Destination Halifax. Although initially contemplated, we ultimately did not review information with respect to Trade Center Limited (TCL) as the OAG was satisfied the funding provided to TCL by HRM was not intended to be directly related to economic development activities. The funding provided by HRM was established as part of a 1982 agreement whereby HRM agreed to offset any operating deficit of the World Trade and Convention Centre, which is part of the Provincial Crown Corporation.

Methodology

1. Financial data was extracted from the HRM SAP system to identify the levels of funding provided to partners. Each partner was asked to provide detailed financial and organizational information which was reviewed with the goal of understanding alignment with and overall impact on the economic goals established under the 2005-2010 economic strategy.

2. Research was conducted to identify best practices in economic development and the most appropriate measures of success.

3. Reports and studies conducted by HRM’s partners around their success in meeting the goals and objectives of the economic strategy were reviewed and discussed. Independent third party studies were reviewed to further determine the level of achievement to the economic strategy goals and objectives of HRM.

4. Interviews were held with each partner agency to gain a greater understanding of the roles and reporting
relationship with HRM; also, to confirm the OAG’s understanding of the organizations’ mandates and delivery models and identify any pertinent issues among the partners, arising from the HRM Economic Strategy 2005-2010.

5. A general interest survey was conducted of the business community and other interested parties to better understand the appropriateness and success of Halifax Regional Municipality’s approach to economic development.
Executive Summary
Framework Used to Allow Commentary with Respect to Value for Money

The Office of the Auditor General (OAG) wishes to provide readers with a framework for understanding the context in which OAG comments are made relating to performance of HRM and its partners Greater Halifax Partnership and Destination Halifax with respect to value for money. The OAG acknowledges value is being realized from all inputs into HRM’s economic development activities. In fact, both Greater Halifax Partnership and Destination Halifax have been recognized by their respective industries for adding value to HRM economic development activities. For example, we are advised by Destination Halifax of the following:

For the past 3 years, The Destination Marketing Association of Canada has championed a DMO (Destination Marketing Organization) benchmarking study in which Destination Halifax has participated. One of the objectives of the exercise is to provide a basis for DMO performance benchmarking across Canada, taking into account differences in organization/market size and funding levels.\(^1\)

With the above point as background, the OAG recognizes there are industry benchmarks and both Destination Halifax and Greater Halifax Partnership have taken the initiative to participate in their development through volunteering information, resources and, in Greater Halifax Partnership’s case, going a step further in receiving a specific accreditation. These industry benchmarks allow HRM to compare Greater Halifax Partnership and Destination Halifax to their industry peers, but the real question is what does this mean in relation to the HRM economic strategy?

There are important steps and processes which need to be in place in order to fully evaluate value for money. Benchmarks created by or for an industry may be useful in assisting HRM in selecting implementation partners, and be an element of a well-defined performance model. However, the performance measurement model should also include the following:

- Clearly defined outcomes (what success looks like)
- Defined, defendable processes for choosing alternatives

(who will implement the strategy)

- Direct measurable outputs in support of the overall desired outcomes (how will success be achieved).

In summary, each element of the performance model answers important questions such as: Was the best alternative chosen and how do we know this? Were the agreed upon outcomes delivered? Were the outcomes achieved using the assigned resources? The answers to these questions feed into what can be defined as value for money. Without these processes and decisions documented, it is difficult to comment on whether value for money was achieved and if so, at what level. This is addressed throughout the report.

Also, within the context of both value for money (understanding performance) and clarity, the OAG feels one of the possible values surfacing from this report is a greater understanding of the contribution tourism makes to economic development in HRM. Many of the comments and recommendations are made to ensure the tourism agenda is firmly incorporated in the HRM plan for economic development.

### Initial Observations - Confusing or Conflicting Matters

The OAG found through its initial work leading up to the project, a significant number of confusing and often conflicting matters. Among these were:

- Who ultimately has responsibility for economic development at HRM
- Is this responsibility clear
- The significance of the various levels of government which have at least some impact on economic development
- The large number of agencies at all levels of government which have, in theory, some input into economic development at HRM
- The various government and private sector sources and amounts of funding for economic development
- The lack of - or perceived lack of - a coordinated effort from the various organizations responsible for economic development, both at individual levels (Federal, Provincial, Municipal) and combined
- The lack of a clear definition of what HRM considers economic development and whether Regional Council (with
The OAG is pleased to note it would appear the community engagement in the development of and the reporting measures around achievement with respect to the ‘new’ 2011-2016 strategy are moving in the direction which the OAG sees as more beneficial to HRM.

- The lack of regular/defined reporting by Greater Halifax Partnership and other agencies as to progress on economic development, delivered in terms of pre-stated measures. It should be made clear the OAG makes this comment as a result of a review of the implementation of the 2005-2010 strategy (the most recently completed strategy). The OAG is pleased to note it would appear the community engagement in the development of and the reporting measures around achievement with respect to the ‘new’ 2011-2016 strategy are moving in the direction which the OAG sees as more beneficial to HRM.

- The perception the outcomes of much of HRM’s budget allocation towards economic development strategy are a series of reports, which do not appear to result in clearly defined strategies.

- The lack of what could only be described as a clearly defined strategy. It would appear what HRM defines as a strategy is likely more of a loosely aligned series of projects leading to a report.

- The feeling on the part of the OAG, with all the various agencies, funding sources, individuals, focus areas, reports, reporting structures and governance models, there is the high likelihood for duplication or conflicting actions, and therefore it is the view of the OAG there is the strong need for a far more simplified approach at HRM.

With all of the above in mind, the OAG felt the concentration of efforts in understanding value for money at some level could yield the greatest value to HRM Administration.

Summary of Significant Matters Discussed within the Report - What Needs to Change

After discussing various opinions with numerous interested and knowledgeable individuals, the OAG concluded there is clearly some basis of fact in the impressions developed, that there is a need for far greater simplicity – simplicity of management and roles. With this point in mind, the OAG also concluded where the greatest value could be added, would be to start with a very simplistic approach and gain HRM Administration’s support, with a subsequent building from that base. Therefore, with this simplistic approach in mind, the
OAG is suggesting HRM Administration consider the following:

1) HRM must be realistic with itself respecting its past performance as it relates to economic development. It is the strong view of the OAG the models used by the organization in the past have not resulted in strong measurable results or the achievement of clearly articulated economic goals.

2) It is the view of the OAG, the annual funding to Greater Halifax Partnership and Destination Halifax has simply followed established precedence. It appears the funding takes place because there is an expectation HRM will fund economic development activities. Also, HRM’s investment, monetary and otherwise, in establishing these two entities may provoke reluctance to substantially change past practise. If the model were to change to a fee-for-project or service model and be a performance-based yearly contract, past performance and specific expertise would enter more strongly into future decisions.

Despite all the discussions and research which have taken place in the completion of this project, it is not clear to the OAG, should HRM not continue to commit its funding in the manner and to the organizations it presently does, what would change. This is not to say there isn’t value being received. It is simply to say, without more focus on clear outcome (not simply output) measures, the economies, efficiencies and effectiveness of the monetary contribution is unclear, and therefore difficult to support.

3) A true strategy for economic development must be developed with clear and specific expected outcomes. HRM must ensure all economic development activities, particularly those of Greater Halifax Partnership, Destination Halifax and, for example, the Marketing Levy Special Events Reserve, are aligned under one guiding strategy with clear and measurable outcomes.

4) The perceived over-emphasis on planning and report writing should be changed to a reality of measurable outcomes contained in a well-defined strategy. HRM then
needs to adopt a short-term strategy to gain experience and knowledge, as well as have the courage and nimbleness to make changes as required.

5) An acceptance of the notion not everyone or every organization is good at everything. HRM should determine where the Federal and Provincial governments, as well as itself, have authority, are able to affect the greatest impact and concentrate in a co-ordinated manner on those things. HRM should limit its undertakings contained within a strategy to 3 to 5 activities. Of these items, HRM is likely able to have the greatest contribution towards strategy via the following:

a. A tax framework, developed on a consensus basis, which contains elements supporting economic development. This framework should emphasize land use strategies including the strategic acquisition, holding and disposal of land held in land banks.

b. A new and bold approach to the use of rates of taxation and incentives specific to economic development.

c. A review of the focus and activities within the planning department to determine if changes are required to better support HRM’s economic strategy.

6) With the above point in mind, HRM needs to recognize the enormous contribution entrepreneurs make towards the growth of any economy. In fact, many, including the OAG, would suggest growth of entrepreneurs is a key to growth of any economy. HRM needs to understand this impact more clearly and where it rates with respect to entrepreneurial rankings, why the ranking is where it is and set a goal of immediate improvement.

7) Also, with the above point in mind, the OAG believes HRM should review how well it is supporting the start-up and growth of its small business sector. It is recommended HRM have a detailed discussion with Greater Halifax Partnership to determine the extent to which activities
both encourage small business to start up in HRM, but also most importantly, is HRM, through its actions and those of its economic development arms, focusing on how to assist current businesses to grow new customers in new markets, for example.

8) Acknowledging the very important role large business enterprises have in the HRM economy, the OAG would recommend the CAO or perhaps the so-called ‘chief economic development officer’ being proposed by the OAG ensure there is ongoing dialogue with the CEOs of these large and important organizations to ensure their needs are properly supported. Greater Halifax Partnership advises renewed efforts in this area are now underway.

9) Accept and understand as noted in this project, there are a significant number of players, programs and projects all having an impact on economic development at HRM. HRM Administration should consider changing its efforts from attempting to co-ordinate activities as they relate to HRM to that of a consolidated gateway to relevant programs. Should this be considered to have merit, HRM Administration should consider requesting the Province of Nova Scotia place a person within HRM to assist with the day-to-day coordination of effort.

10) Acknowledging Greater Halifax Partnership and Destination Halifax are separate organizations with their own management and boards of directors, but with significant HRM involvement in their creation, HRM Regional Council should revisit the reasons for the separate existence of Greater Halifax Partnership, Destination Halifax and others (including their delivery mechanisms) to ensure the support for this configuration is still sound and can contribute to the success of a well-defined strategy. Recognition of the need to alter the internal HRM structure around economic development with a modified role for Greater Halifax Partnership is also very important. It is the clear view of the OAG that Greater Halifax Partnership is not currently in the ‘right’ role. The role needs to be modified to one of the following models:
a. Make Greater Halifax Partnership totally responsible for the development and delivery of economic strategy for HRM, with their role and continued responsibility dependent on performance.

b. Obtain the necessary strategic expertise in-house (as suggested above) and use Greater Halifax Partnership as a means of execution of specifically assigned tasks which flow from the strategy. Each assigned task would be part of an input used to achieve a desired outcome. Greater Halifax Partnership’s performance can then be measured against predetermined measures. This approach would, in theory, suggest Greater Halifax Partnership become more of a service provider rather than HRM’s defined economic arm. In addition, this approach would see the possibility for engaging expertise in areas where Greater Halifax Partnership may not be best suited.

It is the view of the OAG there are clearly talented people at Greater Halifax Partnership with particular accreditations; however, as would be expected with any assembled group of people, the expertise is not limitless and without HRM’s ability to access other organizations, the required expertise or talent may not always be available.

11) To the extent it is appropriate, HRM Regional Council should encourage a review of the need for separate boards to manage Greater Halifax Partnership and Destination Halifax. With separate boards come separate agendas or the possibility of conflicts or duplication within agendas with resulting ineffectiveness of dollars spent. The OAG is of the opinion there are clear appearances of this taking place now.

12) With the current structure of Greater Halifax Partnership and the need for it to develop significant additional funding sources and paid projects, considerable effort must be undertaken by its senior management, particularly its President, to generate the needed funding for potentially
its long term sustainability. It would seem the impact of these distinct fundraising efforts on the time otherwise available for projects and program delivery is significant. Given Greater Halifax Partnership is presently HRM’s economic development arm, the link between these activities and their outcome and return on the HRM investment is not clear to the OAG.

13) HRM must ensure it understands the importance of the need to both lead and manage the Municipality differently going forward in order for enhanced economic development activities to have the desired impact. It is likely not unreasonable to conclude the focus of HRM Administration to date has been on delivery of municipal services which by default would suggest a focus on budget management rather than growth of existing or development of new revenue streams. What HRM now needs will require new and very specific expertise. Leaders must lead differently. It is the strong opinion of the OAG, if HRM is to be the clear leader in regional economic development and seen as a national leader, organizational change must take place. Each and every person at HRM who has responsibility for spending of almost any type, must now focus on economic development in every spending decision.

14) Given the importance of HRM to overall economic development in the region, there is a need for HRM Regional Council to take clearer ownership of the economic development agenda. Should Regional Council accept this approach as reasonable, the OAG is taking the liberty of suggesting a number of starting action items:
   a. Review all sections of the HRM Charter which relate to economic development to ensure a full understanding and assessment of their current relevance.
   b. Provide strong leadership around accountability by holding itself accountable for the results of the strategy. Accountability could start with the pre-establishment of performance measures and, for example, a quarterly report to Regional Council.
This will also aid enormously in realizing on a suggestion received through the OAG survey around value for money, which was the need for far greater economic awareness.

c. Gain a clear understanding of what HRM is good at when it comes to economic development.

d. Either through the direction of one individual with specific expertise in economic development or through a redefined relationship with Greater Halifax Partnership, engage in a far more robust management of relationships and service agreements.

e. Develop a means to measure HRM’s performance in the area of strategy implementation against outcome measures as set out in the strategy.

f. Make a priority of raising the HRM entrepreneurial quotient to that of the highest in Atlantic Canada. Adapting a phrase found in Jim Clifton’s recent book, The Coming Jobs War, where he says, “if the United States allows China or any country or region to out-enterprise it, out-job-create it, outgrow its GDP, everything changes”\(^2\), leads to a powerful thought being, should HRM allow any other Atlantic Canadian city to out-enterprise it, out-job create it or out-GDP it, everything will change.

g. Revisit all programs and policies around land banking and land development and place a far greater emphasis on this in any future economic strategies.

h. Prioritize the concept of a consolidated shop for business and business development. The genesis of this will be a re-evaluation of all HRM development activities, policies and expenditures with an acceptance change is needed.

15) Irrespective of any other decision(s) made over the coming months, the OAG would recommend HRM Regional Council review the funding formula to Destination Halifax with a view to determining whether a percentage of any yearly increase in the Marketing Levy should automatically, by

---

\(^2\) Clifton, Jim, The Coming Jobs War, 2011, Gallup Press, page 5
formula, be allocated to Destination Halifax.

In conclusion, it is the view of the OAG, if there was a strong department or program of economic development at HRM, it could easily be as valuable as almost any other business unit and have as much impact.

Possible Integration of Destination Halifax and Greater Halifax Partnership

The question of whether these two organizations should be integrated into one umbrella organization has been discussed from time to time. To move the discussion forward, the OAG would suggest consideration be initially given to some form of co-governance and offers the following as reasons for considering such an umbrella type structure:

1. In the simplest of terms, it would allow HRM to reduce the number of organizations it has to deal with to deliver on its economic strategy. In the view of the OAG, any reduction in the number of organizations with which HRM must interact would be a positive step, both in terms of management and opportunity costs due to time needed to administer.

2. It would allow for more accountability. With one organization delivering on HRM’s investment, the ability to hold the organization, and hence its management more accountable for results, is greatly enhanced.

3. The ongoing question of who has ‘control’ of the Marketing Levy and how it is used and integrated with/into economic development would be much clearer. Destination Halifax is perceived by some in essence as a trade association, quite separate and apart from HRM, while others see it as almost a ‘controlled’ organization due to collection and distribution of the Marketing Levy by HRM.

4. The need for a very different way of thinking as it relates to economic development and tourism with the construction of the new Convention Centre. HRM must be absolutely certain it is best positioned to take every advantage of this new facility. This is a huge investment of both resources and time with results which must be clear and verifiable. Clearly a new approach is necessary. The starting point of this change might well be the immediate appointment of members who will serve as the competency-based Board to oversee the operations of the Convention Centre and for
this Board to determine who will act on HRM’s behalf in the period leading up to the Convention Centre’s opening.

5. Both Destination Halifax and Greater Halifax Partnership have, as their reason for existence, the economic enhancement and development of HRM. In the simplest of terms, it only makes sense to bring the talents available in each organization together in some form as it is the view of the OAG, there are clear synergies to be had and the sum will be greater than the individual parts due to the much easier collaboration of talents from both organizations being subject to some form of co-governance.

6. The co-governance of Destination Halifax and Greater Halifax Partnership will be a positive first step towards the creation of the consolidated approach being suggested by the OAG. Clearly one entity will create a far more seamless and united approach to development of HRM at the local, provincial, federal and international levels.

7. Co-governance creates an increased capacity for sharing valuable information.

8. Co-governance also sets the stage for a more integrated approach to both short term goals (based on tourism) and the longer term goals of growth of existing businesses and development of new business entities.

9. The OAG is concerned with what appears to be a trend of reduced non-HRM revenue being generated by Greater Halifax Partnership and a greater reliance on HRM to continue as a ‘going concern’.

10. As noted earlier, a number of organizations contribute to bringing guests to HRM which generates the marketing levy, including the tourism activities of Destination Halifax. The direct connection between any one organization and outcomes is very difficult to measure and hence to hold accountable. With one umbrella governance model, HRM would be in a much better position to apportion value for dollars spent and determine if perhaps some of the current grants or increases from the marketing levy should be retained by HRM and used in other development activities (through the Marketing Levy Special Events Reserve). Its use in anything other than activities relating to the promotion of HRM as a tourist destination would likely require legislative changes.
Overarching Recommendation

HRM Administration should consider the points with respect to change and comments with respect to possible integration of Destination Halifax and Greater Halifax Partnership and recommend to Regional Council their suggested courses of action along with their reasoning.

Role of Business and Entrepreneurs in HRM Economic Development

The OAG realizes there are many measures of economic development and opinions vary greatly as to the most appropriate ones. In fact, it is the view of the OAG these very diverse opinions are essentially at the heart of the measurement issue.

However, the OAG believes it is fair to say, it is almost universally accepted small business is the back bone of the Canadian economy and in particular, the Atlantic economy. It is the opinion of the OAG the so-called entrepreneurial spirit is a key to drive HRM economic growth which appears to be overlooked in HRM planning and economic support programs.

In making the above comment, the OAG clearly recognizes when business is discussed, it must be in the context of acknowledging the need for attention to be directed towards and balanced among small business (start-up and existing) as well as large established so-called ‘anchor’ businesses. The contribution by each is significant to economic development.

Summary of Recommendations

1.0.1 The OAG would recommend HRM Administration explore the possibility of creating a Chief Economic Development Officer, who would be located in City Hall and would report directly to perhaps the Mayor who has expressed a personal interest in and focus on economic development. This type of ‘bold’ approach would signal the importance HRM places on economic development and the needed authorities to ensure success. Page 39

1.0.2 HRM should explore the opportunity of enhancing a liaison position jointly with the Federal and Provincial governments
whose primary focus would be to coordinate efforts and who would have specific expertise and experience (preferably at two levels of government) in both coordination and economic development. Page 39

1.0.3 Should the above recommendations not be implemented, the OAG would recommend HRM Administration consider arranging for a secondment/secondments of the HRM resource(s) who will be the economic development point person to allow for the development of:
   - Additional knowledge and experience at the other levels of government where economic development has greater resources and focus
   - The appropriate relationships to aid in collaboration and greater coordination once the individual returns to HRM. Page 40

2.1.1 HRM Administration place a renewed emphasis on the HRM economic development strategy after consideration of the points made by the OAG in this report. This strategy should be developed separate and apart from the implementation plan. Page 42

2.1.2 HRM Administration should ensure the implementation plan noted above contains and outlines clearly the inputs to be used (along with efficiency performance measures) and the expected outcomes (along with the appropriate effectiveness measures). This will allow for the development of formal or ad hoc measures of economic development performance. Page 42

2.3.1 HRM Administration should ensure the draft Memorandum of Understanding with Destination Halifax is reviewed and any appropriate changes made and finalized as soon as possible. Page 48

2.3.2 HRM Administration should consider, along with Destination Halifax, the funding arrangement within the Memorandum of Understanding. The current formula is a fixed percentage of the yearly Marketing Levy. The OAG would suggest a fundamental and needed change would be to tie the funding to agreed-upon and measureable performance. Page 48
2.3.3 On the assumption (or at least for the time being) should current arrangements continue, HRM Administration should engage both Greater Halifax Partnership and Destination Halifax in the development of the implementation plan to achieve the economic strategy, which would include the expected goals or outcomes to ensure roles and accountabilities are absolutely clear. Page 48

2.3.4 With the above recommendation in mind, once the implementation plan and its goals are approved, HRM Administration should request Greater Halifax Partnership and Destination Halifax prepare action plans for those outcomes for which they have accepted responsibility. Page 48

2.3.5 Using the services of the economic development resource being suggested by the OAG in Recommendation 1.0.1, HRM Administration should determine the appropriate performance measures for the goals accepted by each of Greater Halifax Partnership and Destination Halifax and hold both organizations accountable on a yearly basis. Page 49

2.3.6 The OAG would suggest HRM Administration, Greater Halifax Partnership and Destination Halifax accept the view of the OAG that both Greater Halifax Partnership and Destination Halifax have limited resources and with that the likely lack of expertise in all areas which may be needed to achieve the outcomes of the strategic implementation plan. With this in mind, HRM should consider utilizing a portion of the approximately $3,600,000 in annual funding to engage other service providers with the needed experience or expertise, or how this would be accomplished through its partners and their ongoing funding. Page 49

2.3.7 HRM Administration should consider reviewing and amending the business case for the Marketing Levy Special Events Reserve to establish a specific mechanism to deal with any surplus funds which may occur in a fiscal period due to a) unanticipated revenue increases or b) a reduction in spending. Page 49
2.4.1 In keeping with the process already developing between HRM and Greater Halifax Partnership, and as suggested in industry literature, HRM should strengthen its business plan development in both the operating and capital budgets, to better align with the goals and action plans outlined in the economic strategy. A series of workshops could perhaps provide senior and mid-level management with an opportunity to better understand the various stakeholders who participate in economic development activities within HRM, and to explore and discuss the economic challenges and opportunities which exist. Page 52

2.4.2 HRM Administration should consider developing, in conjunction with Greater Halifax Partnership, a training tool which would educate municipal staff and elected officials regarding the roles and responsibilities the Municipality plays in developing the local economy and the importance of the work they do in support of economic growth. Page 52

2.6.1 HRM Administration should review the reasoning behind the formation of Greater Halifax Partnership and Destination Halifax both as separate organizations and also as organizations outside of the administration of HRM. The OAG has suggested a number of questions to be considered as a starting point for a discussion, given the original objective for the formation of Greater Halifax Partnership, for example, was centralization. Page 61

2.6.2 HRM Administration should consider the OAG’s suggestion of a more focused approach to economic development with high consideration of the comments around more focused support for businesses of all sizes and entrepreneurs. With the decline in Greater Halifax Partnership private sector funding and projects, this trend is of great concern to the OAG. Page 62

2.6.3 HRM Administration should consider offering in-kind services and extending procurement opportunities (beyond the current levels) to Destination Halifax and Greater Halifax Partnership in an effort to minimize administration costs. Page 62
2.6.4 As has been noted in a number of other OAG reports, the roles and responsibilities of HRM-appointed representatives to various boards and commissions has been raised as a concern. The OAG saw, once again in the completion of this report, some level of confusion as to roles, responsibilities, expected competencies and reporting requirements of its representatives on Greater Halifax Partnership and Destination Halifax boards. As previously recommended in other reports, the OAG would recommend HRM provide specific written clarification outlining what the expected roles and responsibilities are for their representatives serving on the boards of Greater Halifax Partnership and Destination Halifax. Page 62

3.0.1 The OAG recommends HRM Administration consider, with respect to the risk management concerns noted above, the additional benefits to be gained through the services of the individual(s) as suggested in Recommendations 1.0.1, 1.0.2 and 1.0.3. Page 64

3.0.2 With the original objective of GHP being a partnership between the three levels of government and the private sector, the apparent reduction in revenue from private sector activities (support) should be reviewed by HRM Administration to determine the likely reasons for this and the impact on HRM’s current economic development model. Page 64

4.1.1 HRM should consider focusing its efforts and resources to those areas where it has primary responsibility and expertise, such as land use planning and property taxation within a facilitative/strategic role. This approach should ensure HRM resources are used to improve the environment in which businesses operate, ensuring businesses and of course the citizens of HRM receive the best possible service (less red tape) for the level of investment made (value for money). Page 76
Management Response

The report emphasizes the need to focus our economic strategy and strengthen the links between inputs and outcomes. It notes the need for better collaboration with other governments and the private sector. It also points to the need to clarify ownership of the strategy and how progress gets reported. Engaging the Mayor and Council, we will work on those issues.

The 21 recommendations included in the report are useful. As the attached document indicates, we can begin to work with Greater Halifax Partnership and Destination Halifax to implement most of them right away, although it will take some time for full implementation of them all.

– Richard Butts  
Chief Administrative Officer, HRM  
February 6, 2013
Detailed Findings and Recommendations
1.0 Defining Economic Development

1.1 Economic Development – an Overview

It is the view of the OAG, there is no single way to develop an area’s economy. Development is influenced by a multitude of factors such as geography, climate, available resources (i.e. human, natural, financial) and political and business leadership, to name just a few.

At its basic level, economic development can be defined as any purposeful activity undertaken to grow the economy in a geographic or political area, such as the Halifax Regional Municipality or the Province of Nova Scotia. The World Bank has described economic development and its purpose as:

> The purpose of local economic development (LED) is to build up the economic capacity of a local area to improve its economic future and the quality of life for all. It is a process by which public, business and nongovernmental sector partners work collectively to create better conditions for economic growth and employment generation.\(^3\)

Economic growth, which is, of course, the outcome of economic development, has been described academically as:

> increases in per capita income, and (if currently absent) the attainment of a standard of living equivalent to that of industrialized countries.\(^4\)

One measure of economic growth is the increase in the amount of goods and services produced by an economy over time, which is conventionally measured as the percentage of increase in real gross domestic product, or real GDP. According to information released by Statistics Canada for 2010, and reported by the Conference Board of Canada, Halifax with a GDP per capita of $33,141\(^5\) ranked 16\(^{th}\) out of 25 of the Canadian Census Metropolitan Areas. The question then is, what does this mean in terms of HRM and what does economic development look like at the local level?

---


\(^5\) The Role of Canada’s Major Cities in Attracting Foreign Direct Investment by Alan Arcand, Conference Board of Canada, Report May 2012
According to Professor Edward J. Blakely, (Professor of Urban Policy at the United States Studies Centre, Sydney, Australia) local economic development is “a process by which local government and/or community-based groups manage their existing resources and enter into new partnership arrangements with the private sector, or with each other, to create new jobs and stimulate economic activity in a well-defined economic zone.”6 He goes on to suggest the economic strategy process leads to an end state and is not an end state in itself. A successful end state can only be achieved, according to Blakely where:

There must be effective coordination between government and industry as well as between various agencies and levels of government. Most important, the support and involvement of the local community must be present.7

This needed coordination of various agencies and levels of government is - as will be described throughout this report - one of the key recommendations being made by the OAG.

Much of this report explores the relationships and coordination of efforts among various stakeholders in the development of economic growth in the Halifax Regional Municipality.

---

7 Ibid, pages 135,136
1.2 Economic Development in HRM - Legislative Authorities and Delegated Supporting Roles to Greater Halifax Partnership and Destination Halifax

Authorities found in HRM Charter to Engage in Economic Development Activities

The authority for Halifax Regional Municipality to expend funds for economic purposes is provided for in the Halifax Regional Municipality Charter (HRM Charter). The HRM Charter provides for a variety of activities falling under the category of economic development. They include:

Section 70(1) Area improvement and promotion, states the Municipality may

(b) pay grants to a body corporate for the purpose of promoting or beautifying a business district and for airport, wharf or waterfront development;

(c) identify and promote a business district as a place for retail and commercial activity.\(^8\)

Section 71(1) Business and industrial development, states the Municipality may

(a) solicit and encourage the establishment and development of new, and the establishment, development and expansion of existing institutions, industries and businesses in and around the Municipality;

(b) publicize the advantages of the Municipality or any part of the Municipality and the surrounding areas as a location for the establishment and expansion of institutions, industries and businesses;

(c) pay grants to a body corporate for the purpose of promoting the Municipality or any part of the Municipality and the surrounding areas as a location for institutions, industries and businesses;

(d) prepare and disseminate information about the Municipality or any part of the Municipality and the surrounding areas for the assistance of institutions, industries and businesses intending to locate or expand

---

\(^8\) Halifax Regional Municipality Charter, 2008, c. 39, page 44
in the Municipality or the surrounding area.\textsuperscript{9}

Section 79(1), Power to expend money, authorizes Regional Council to spend money “required by the Municipality for”

(i) Advertising the opportunities of the Municipality for business, industrial and tourism purposes and encouraging tourist traffic, with power to make a grant to a non-profit society for this purpose;

(m) Promotion and attraction of institutions, industries and businesses, the stabilization and expansion of employment opportunities and the economic development of the Municipality.\textsuperscript{10}

Other sections of the HRM Charter speak to the authority and processes by which HRM is required to administer land use and development such as regional planning, subdivision and variance approvals and other land use planning tools.

HRM is not permitted under its legislation to give economic incentives directly to businesses but is allowed to enter into third party agreements with external partners to expend funds on behalf of HRM in the areas noted above. The issue of financial support is explored in greater detail later in this report.

**Regional Council Approved Economic Strategy**

Regional Council approved its first formal economic strategy on October 18\textsuperscript{th}, 2005. The development of this strategy began with input from the 2004 Economic Summit which was led by the Halifax Chamber of Commerce, at the request of HRM. An advisory committee was established after the Summit to lead the actual development of the formal strategy. The committee was comprised of senior business, community and government representatives and used several different forms of consultation in creating the strategy, including focus group sessions, a public survey and a variety of individual consultations with community and business organizations.

The resulting 5-year strategy included five goals and eleven priority

\textsuperscript{9} Halifax Regional Municipality Charter, 2008, c. 39, page 45
\textsuperscript{10} Ibid, page 50
action items which “explores how we can best use our available resources to ensure our economy continues growing at a sustainable rate. It offers suggestions for building a strong competitive edge over other regions worldwide.” Implementation of the economic strategy was based on the following principles:

- Do not create new layers of bureaucracy
- Make use of existing structures and create new ones only as a last resort
- Eliminate duplication
- Develop networks and partnerships
- Build on the public/private approach to economic development pioneered by HRM.

Table 1.2.1 presents the five goals of the HRM Economic Strategy for 2005-2010 and numerous action categories, which were to form the basis for subsequent performance measurement. With this in mind, Greater Halifax Partnership aligned their resources to deliver the goals noted in the strategy and also to provide additional services as requested by HRM.

Table 1.2.1 HRM Economic Goals and Action Areas for 2005-2010

<table>
<thead>
<tr>
<th>Supercharge our Labour Force</th>
<th>Leverage our Creative Community</th>
<th>Capitalize on our Reputation</th>
<th>Convert Rivalries into Partnerships</th>
<th>Create a Gung-ho Business Climate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment</td>
<td>Public Involvement</td>
<td>Business Confidence</td>
<td>Joint Economic Ventures</td>
<td>Commercial Tax Base</td>
</tr>
<tr>
<td>Unemployment</td>
<td>Enhance the Quality of the Labour Force</td>
<td>Brand Recognition</td>
<td>Halifax as a Gateway</td>
<td>Comparability of Commercial Taxes</td>
</tr>
<tr>
<td>Immigration</td>
<td>Financial Support in Economic Development</td>
<td>Room Nights Sold</td>
<td>Port of Halifax</td>
<td>Decreased Times for Construction</td>
</tr>
<tr>
<td>University Admissions</td>
<td>Community Satisfaction</td>
<td>Halifax, as a place to do business</td>
<td>Airport Passengers</td>
<td>Access to Broadband</td>
</tr>
<tr>
<td>Nova Scotia Community College Admissions</td>
<td>Visitors to Historical Sites</td>
<td>Private Investment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>National Defence and Federal Government Employee Base</td>
<td>Average Income</td>
<td></td>
<td></td>
<td>Benchmark to Business Climate</td>
</tr>
</tbody>
</table>

---

12 Ibid, page 36
Role of Greater Halifax Partnership

HRM has engaged the Greater Halifax Partnership “for oversight and implementation of its Economic Strategy” and through this, acquires “services and professional expertise pertaining to the economic development of the Municipality.” An annual operating grant is provided for these services. A service agreement is in place which is reviewed and amended annually.

It is important to understand, Greater Halifax Partnership is not an economic funding source for businesses or developers. With respect to the operating grant provided by HRM, the primary role of Greater Halifax Partnership is to act as an alternate means of “delivering economic development programming to further its [HRM] economic interests and objectives and to carry out community-based strategies to encourage economic growth.” Under this framework, specific responsibilities appear to include:

- Acting as an agent of change, encouraging government to support business development financially and throughout the development process
- Being an advocate on the behalf of and between business sectors and government to implement the economic strategy
- Helping to build relationships among the various stakeholders and break down barriers
- Educating and encouraging new businesses in targeted markets of the benefits and opportunities available in HRM.

As a public/private partnership organization, the Greater Halifax Partnership also acquires additional funding from private investors and other levels of government which it leverages to achieve its work plan and commitments. The value of this leveraging to HRM is explored in greater detail later in this report.

---

It is not clear what role senior administration officials or Regional Council had in the setting of goals or performance measures for Destination Halifax.
Infrastructure – develop the required infrastructure to support tourism growth.

Role of Trade Centre Limited

Trade Centre Limited (TCL) was originally included in the planned scope of this project. Early research conducted during the review strongly suggested to the OAG that while Trade Centre Limited does have a role to play in the economic development of HRM, funding provided by HRM to TCL is not specifically related to the activities undertaken by TCL in economic development. Thus, the Trade Centre Limited was excluded from the final scope of this work.

Halifax Regional Municipality - Other Activities

In addition to significantly funding the efforts of agencies like Greater Halifax Partnership and Destination Halifax, Halifax Regional Municipality undertakes direct and indirect activities on its own which support and promote economic development. Directed activities include:

- Management, promotion and sale of lots located in six business or industrial parks within HRM
- Infrastructure construction (water, sewer, roads, etc.) which directly support the development of private and public land
- Relationships with other business-related agencies and groups such as the Halifax Chamber of Commerce and the Port of Halifax to help direct the Municipality’s activities in support of business growth
- As a partner, promotion of Halifax as a “strategic Canadian location for the efficient movement of goods and people by road, rail, air and sea.”
  
  The Halifax Gateway and the Halifax Robert L. Stanfield International Airport are examples

- Political and policy support in the establishment of eight business improvement districts
- Financial support for regional, community, cultural and special events through grants and in-kind support.

Land management activities such as planning and land banking have been described as key municipal economic development strategies

---

15 http://www.halifaxgateway.com/en/home/about
Land management activities such as planning and land banking have been described as key municipal economic development strategies for an area. HRM activities falling within this area might include mandated responsibilities such as transportation and infrastructure planning which often require a current acquisition for a future purpose.

Less direct activities are intertwined with the delivery of the day-to-day programs and services of HRM, and from a cost and measurement perspective, are not easily distinguishable. Activities in this category include:

- Municipal planning strategies and land use by-laws
  - HRM By Design – regional land use plan, potential for 21 functional plans
  - Sub-division By-law
- Issuance of building, development permits.

The OAG excluded detailed analysis around these direct or indirect activities as we were not able to find specific linkages between these activities and defined performance measures.

### 1.3 Other Economic Development Activities in HRM

#### Other Levels of Government

Halifax Regional Municipality is the capital city of Nova Scotia and, according to the Conference Board of Canada, has been cited as an “economic leader” for Nova Scotia. HRM is also often promoted as the economic hub of the Atlantic provinces.

The Province of Nova Scotia, Government of Canada and private interests are active participants in the economic development of the region. Following are some of the major participants with a primary focus in developing the economy of HRM, as noted from research conducted by the OAG.

- **Province of Nova Scotia**

  The Province of Nova Scotia owns and operates:
  - Seven business parks within HRM

---

17 The Role of Canada’s Major Cities in Attracting Foreign Direct Investment – Report May 2012, The Conference Board of Canada
• Nova Scotia Business Inc. (NSBI) – whose focus is on the expansion of business activity in Nova Scotia. Activities include trade development, business financing, venture capital and investment attraction

• Waterfront Development Corporation (WDC) – whose focus is on the redevelopment and revitalization of the lands surrounding Halifax Harbour and any other lands designated by its shareholder, the Minister of Economic and Rural Development and Tourism. Activities include waterfront planning and infrastructure development, property management, business development and community use of public space

• World Trade and Convention Centre (WTCC) provides the venue and supporting services for special events (not funded by HRM) and conventions under the umbrella of Trade Centre Limited, a provincial crown corporation.

Provincial and Federal governments offer financial incentives from a variety of funding sources as a means to encourage economic growth. In a July 2010 report written by Dr. Donald J. Savoie titled, *Invest More, Innovate More, Trade More, Learn More: The Way Ahead for Nova Scotia*, and summarized by HRM’s Intergovernmental Affairs Office, Dr. Savoie identified eleven provincial departments and agencies (including those reported above) as having economic development responsibilities. Many of these departments and agencies have an impact on the economic development of HRM, in some manner. They include:

• Economic and Rural Development Offices
• Nova Scotia Business Inc.
• Innovacorp
• Film Nova Scotia
• Waterfront Development Corporation
• Trade Centre Limited
• Department of Intergovernmental Affairs (Trade)
• Department of Tourism, Culture and Heritage
• Department of Agriculture
• Department of Fisheries and Aquaculture

---

18 Dr. Donald J. Savoie holds a Canada Research Chair in Public Administration and Governance at the Université de Moncton and was contracted by the Premier of Nova Scotia in 2010 to report on Nova Scotia’s economic development efforts.
Provincial governments often provide the facilities and administrative support to assist entrepreneurs in establishing and growing a business. According to Michael J. Skelly in *The Role of Canadian Municipalities in Economic Development* operating costs are lower and capital costs incurred to start a new business are reduced through the sharing of administrative services and other benefits accrue due to the proximity to other businesses in similar growth life-cycles. As HRM is not able to provide direct funding to for-profit entities, it is not surprising some of the province’s efforts are focused on helping start and develop businesses through direct funding opportunities both within HRM and across the province. Another area of economic influence provided by the Province of Nova Scotia is in the development of various legislation and regulations affecting natural resources, employment and provincial taxes, to name just a few.

**Government of Canada**

The Government of Canada owns and operates the following:

- Halifax Port Authority (HPA)— with a mandate to develop, market and manage its assets in order to foster and promote trade and transportation by building relationships which attract and retain cargo and cruise activity to the Port of Halifax
- Atlantic Canada Opportunities Agency (ACOA) – with a mandate to create opportunities for economic growth in Atlantic Canada by helping businesses become more competitive, innovative and productive. ACOA works with communities to develop and diversify local economies through marketing and operational funding.

A search of the federal government website, under the umbrella of the Canada Business Network, for opportunities available to Nova Scotia businesses in the form of federal government grants, loans and financing, located more than 115 results. Examples pertinent to HRM include:

- Industrial Research Assistance Program
- Buying a Business Program

---

• SEED Capital Loan Program
• Industrial Research and Development Fellowship Program
• Industry Growth Program
• Atlantic Innovation Fund
• Black Business Initiative
• Capital Investment Incentive
• Film Market/Festival Assistance
• Nova Scotia First Fund
• Go-Ahead Program for Exporters
• Matching Investment Fund
• Nova Scotia Business Development Program
• Investment Cooperation Program
• Canada Small Business Financing Program
• BDC Subordinate Financing
• Community Business Development Corporations Business Loans Program.

Michael J. Skelly wrote in *The Role of Canadian Municipalities in Economic Development*, “the main federal government initiatives are federal enterprise zones: that is, geographically targeted tax incentives, capital expenditures, job training and regulatory relief (Rubin and College, 1994: 164).” 20 The Federal government is also able to create legislation and regulation in a variety of economic areas which have a direct impact on an area’s economic well-being.

➢ **Financial Institutions**

Financial institutions play a major role in economic development within the region by providing operating and capital credit facilities for investment opportunities, infrastructure development and ongoing operations. An economy cannot grow without the availability of credit and investment of cash resulting from ongoing operations.

➢ **Educational Institutions**

Educational institutions also play an important role in economic development for the region by providing training to new or returning entrants to the workplace. Within its boundaries, HRM

---

has at least five major universities, a large community college network and thirteen career colleges and trade schools offering training in commerce, law, the sciences, education, aviation, media, arts and technology and human resources, to name just a few.

There is a great deal of literature on the relationship between an area’s development of human capital and its economic success. In an article titled *The Role of Colleges and Universities in Building Local Human Capital* issued by the Federal Reserve Bank of New York, authored by Jaison R. Abel and Richard Deitz, they conclude:

> Colleges and universities can facilitate an increase in both the supply of and demand for human capital by producing degrees and engaging in research activities. As a result, higher education institutions can play a vital role in local economic development.  

This would appear to be very relevant to HRM planning, given its preponderance of educational assets within a concentrated geographic area.

**Recommendations**

1.0.1 The OAG would recommend HRM Administration explore the possibility of creating a Chief Economic Development Officer, who would be located in City Hall and would report directly to perhaps the Mayor who has expressed a personal interest in and focus on economic development. This type of ‘bold’ approach would signal the importance HRM places on economic development and the needed authorities to ensure success.

1.0.2 HRM should explore the opportunity of enhancing a liaison position jointly with the Federal and Provincial governments whose primary focus would be to coordinate efforts and who would have specific expertise and experience (preferably at two levels of government) in both coordination and economic development.

---

1.0.3 Should the above recommendations not be implemented, the OAG would recommend HRM Administration consider arranging for a secondment/secondments of the HRM resource(s) who will be the economic development point person to allow for the development of:
- Additional knowledge and experience at the other levels of government where economic development has greater resources and focus
- The appropriate relationships to aid in collaboration and greater coordination once the individual returns to HRM.
2.0  Exploring Highest and Best Use of Inputs
2.1  Critical Importance of Clear Strategy (Economic Performance Indicator)

It is apparent from OAG research and information contained in the preceding sections, HRM is “only one player influencing economic development [in HRM] – the business community and other levels of government are the primary drivers of economic growth.”

Clearly, the list of participants who are engaged in growing the local economy is significant.

HRM’s Economic Strategy 2005-2010 included a long list of action items, potentially affected by any number of participants who are engaged in growing the local economy. Included under the five ‘strategies’ and eleven priority areas of the HRM Economic Strategy 2005-2010 were 94 specific actions including research and analysis, entering into other partnership agreements, communication of ideas and the development of investment opportunities, to name just a few.

It would seem HRM is operating under the real or perceived need to be ‘all things to all people’. With this, also comes the need to understand and manage the allocation of HRM funds and resources to these many agendas with both similar activities and likely conflicts contained within the agendas.

A strategy, for purposes of this report, can be referred to as the direction and scope of an organization over the long term which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfill stakeholder’s expectations.

From this prescribed definition of what a strategy is, there are several components which assist in answering questions around how the strategy works and how it ultimately becomes effective in its implementation, which include:

1. Where is the organization trying to get to in the long run?
2. What resources (skills, assets, financial considerations, relationships, technical competence, facilities, etc.) are required in order to be able to compete?
3. What external environmental factors affect the

---

22 Economic Development Strategy Update, Halifax Regional Council, September 13, 2005, page 2
23 http://tutor2u.net/business/strategy/what_is_strategy.htm
organization’s ability to compete?

4. What are the values and expectations of those who have power in and around the organization?

It is the view of the OAG, in order for the economic development investment which HRM makes to be effective, or for a fair evaluation of resulting activities, a clear strategy must be the starting point. What is first needed is therefore a process which includes a series of clearly defined and articulated steps resulting in the strategy as an outcome.

**Recommendations**

2.1.1 HRM Administration place a renewed emphasis on the HRM economic development strategy after consideration of the points made by the OAG in this report. This strategy should be developed separate and apart from the implementation plan.

2.1.2 HRM Administration should ensure the implementation plan noted above contains and outlines clearly the inputs to be used (along with efficiency performance measures) and the expected outcomes (along with the appropriate effectiveness measures). This will allow for the development of formal or ad hoc measures of economic development performance.
2.2 Partnership Service Agreement– Greater Halifax Partnership

To better understand the impact of a clear strategy it is important to understand the reasoning behind the formation of Greater Halifax Partnership. The Greater Halifax Partnership was formed in 1996 as a public-private sector partnership model, “led by the private sector” but funded by three levels of government along with the private sector. The motivation behind this partnership “was the centralization of economic development functions within one body, which would all be responsible to Regional Council, the private sector and the community in general.” Also operating within HRM at the time was the Halifax Regional Development Agency (HRDA), an organization sustained by provincial government funding supplemented by a federal government contribution.

To better understand the impact of a clear strategy it is important to understand the reasoning behind the formation of Greater Halifax Partnership. The Greater Halifax Partnership was formed in 1996 as a public-private sector partnership model, “led by the private sector” but funded by three levels of government along with the private sector. The motivation behind this partnership “was the centralization of economic development functions within one body, which would all be responsible to Regional Council, the private sector and the community in general.” Also operating within HRM at the time was the Halifax Regional Development Agency (HRDA), an organization sustained by provincial government funding supplemented by a federal government contribution.

The OAG feels the comments “centralization of economic development” and “within one body” yield key points in the findings which are explored in greater detail throughout the report.

During July 2001, Regional Council entered into its first service agreement with Greater Halifax Partnership which was extended, unchanged until June 19th, 2007 when it was replaced with a new service agreement reflecting the merger of the HRDA with Greater Halifax Partnership and focused on the delivery of the HRM Economic Strategy 2005-2010.

On June 14th, 2005, Greater Halifax Partnership made a presentation to Regional Council highlighting their mission, details of the services contract with HRM, and expected revenues and success measures. During this meeting, Regional Council briefly debated the idea of merging different economic vehicles into one entity. The then Director of Governance and Strategic Initiatives, when asked if HRM was receiving value for the money spent on the HRDA and GHP stated, “The analysis showed that HRM was definitely getting value, but staff could not answer the question of whether it was best value.” The Director went on to say in the absence of an economic strategy, it was hard to establish if the right resources were being spent in the right way. She also stated HRM

24 http://www.greaterhalifax.com/home/aboutus/profile/history
25 ibid
26 Halifax Regional Council, Committee of the Whole Minutes, June 14, 2005, Item 6, Greater Halifax Partnership, page 6
did not know how the various organizations’ economic development strategies aligned. The OAG could not agree more. The keys to understanding performance around economic development are:

- The need for a clear and achievable strategy
- Agreement by all parties on the strategy
- The development of appropriate performance measures.

In May 2010, Greater Halifax Partnership released a document referring to itself as the “Economic Development Arm of HRM” and spoke of the significant reliance HRM had on Greater Halifax Partnership for economic development.

On March 22nd, 2011 Regional Council approved a new economic strategy for 2011-2016, “A GREATER Halifax – the 2011-16 Economic Strategy for Halifax”, replacing the prior five-year plan. Under this new strategy, HRM entered into a new service level agreement with Greater Halifax Partnership as of May 29, 2012. As in past agreements, the purpose of the agreement was:

To assign to an economic development organization the responsibility to undertake economic development programs and activities that support implementation of its Corporate Plan and Economic Strategy

To acquire other services and professional expertise pertaining to the economic development of the Municipality.

Section 2.01(d) of the service agreement stipulates the Municipality’s operating grant is to be used to support those aspects of the operation which align with the Municipality’s mandate, corporate plan and implementation of the economic strategy. Accordingly, the Municipality has given written direction to Greater Halifax Partnership to complete certain tasks relating to each of the five goals established in the 2011-2016 Economic Strategy. The types of services to be provided include:

- carrying out research and analysis

---

28 Ibid, page 10
• developing economic growth strategies to increase investment from the private sector
• building stronger connections and collaboration between research organizations and businesses, for example.

It is interesting to note HRM has essentially divested itself of all in-house economic expertise, but continues to need economic data, indicators and planning assistance to develop its economic strategy, which it seeks from essentially the same experts who are then entrusted to implement the strategy, indicating, perhaps, a need for on-going in-house economic expertise.

A review of the 2007 service agreement between HRM and Greater Halifax Partnership identified approximately 30% of the assignments were to deliver advice, data and information to HRM or to represent HRM’s interests in areas such as ensuring municipal tax policies and legislation are sensitive to and supportive of economic drivers affecting universities, hospitals, finance, insurance and professional services for example, and in determining the impact of the tax burden on economic growth during the on-going work of tax review and revenue strategy development. A review of the 2012 service agreement indicates this percentage of tasks has increased to approximately 40% of the total assignments. At the same time, the annual grant issued to Greater Halifax Partnership has remained the same. These activities may take away from the primary role of the Greater Halifax Partnership being advocate, educator, relationship builder and agent of change.

As noted earlier, the service agreement is reviewed annually and specific tasks for the up-coming year are established by the parties.

Until recently, the Halifax Chamber of Commerce had likely been the only organization formally reporting on the level of achievement in economic growth arising from the HRM economic strategy.

Under the current (2011-2016) economic strategy, Greater Halifax Partnership has developed a community index tool (Halifax Index) which will be used to report on the “story of economic prosperity in Halifax.”

2.3 Partnership Service Agreement - Destination Halifax

Unlike the relationship maintained with the Greater Halifax Partnership, HRM has not entered into annual service agreements with Destination Halifax, although the OAG understands a draft Memorandum of Understanding (MOU) has been in development since 2009.

There is, however, a 2001 MOU between HRM and the Hotel Association of Nova Scotia which outlined the governance structure of a new entity being created (eventually called Destination Halifax), its basic objectives and funding levels.

Although there has never been an annual service agreement in place with Destination Halifax, the 2001 Memorandum of Understanding does provide for a consultative process resulting in the preparation of “long term and annual marketing plans, including budgets.”

The OAG understands there has been an on-going practice of Destination Halifax preparing and presenting annual plans and budgets to HRM administrative staff which are included and approved by Regional Council during the annual budget process.

However, there does not appear to be the same level of engagement around the methodology used by Destination Halifax in achieving its objectives as there is in the relationship between HRM and Greater Halifax Partnership. As with Greater Halifax Partnership, HRM divested of all in-house expertise (tourism) with the establishment of Destination Halifax.

Although the draft MOU requires a consultative process in the preparation of annual and long term marketing plans, including budgets, there are no performance measurements included to measure the success of the entity in achieving its goals on behalf of HRM to “increase tourism visitation to and expenditure within HRM on a year-round basis...”

---

30 Memorandum of Understanding between The Halifax Regional Municipality and The Hotel Association of Nova Scotia, attachment to Report to Council, July 17, 2011, Agenda Item 11.4.6
31 Report to Halifax Regional Council, July 17, 2001 – Hotel Tax – Memorandum of Understanding (MOU)
On the surface, there seems to the OAG to be a possible disconnect, given the enormous funds spent by HRM through Destination Halifax to attract visitors to HRM, yet not formally supporting them once here.

Destination Halifax’s role was and is to promote “the Halifax Regional Municipality as a year-round destination of choice for business and leisure travelers.”\(^{32}\) HRM’s role was to provide funding and operate the various HRM Visitor Information Centres (VICs) as these locations were considered important tourism gateways. However, effective fiscal year 2010, HRM eliminated Visitor Information Centres as a result of an internal review of the effectiveness of the delivery of the service. On the surface, there seems to the OAG to be a possible disconnect, given the enormous funds spent by HRM through Destination Halifax to attract visitors to HRM, yet not formally supporting them once here. The elimination of the VIC close to the Cruise Ship Terminal appears inconsistent with one of the significant areas Destination Halifax would point to where they have had success in developing new tourism activity for HRM.

**The Marketing Levy - How HRM Funds the Activities of Destination Halifax and the Marketing Levy Special Events Reserve**

The Marketing Levy is a percentage assessment levied on the rental of certain hotel rooms in HRM. Funds are collected by the hotels at the time of rental and forwarded to HRM which administers the program. HRM allocates a large portion of the funds (60%) to Destination Halifax and retains the remaining amount in the Marketing Levy Special Events Reserve.

The Marketing Levy Special Events Reserve has as its primary purpose the support of events which focus on tourism and economic development with quality of life as a secondary outcome. It is used to support “national or international culture, sport and heritage events that do not occur annually and are free or [at] low cost to the public”\(^{33}\) and “for-profit events if they are large scale and located on the Halifax Common.”\(^{34}\)

The Marketing Levy Special Events Reserve has a ceiling of $1,000,000 which is the maximum amount which can be held in the reserve at any one time. Proposed expenditures are approved as part of the yearly budget process, with withdrawals from the fund

\(^{32}\) http://www.destinationhalifax.com/about-destination-halifax  
\(^{33}\) http://www.halifax.ca/events/grants.html  
\(^{34}\) Ibid
administered by Community and Recreation Services and the expenditures monitored by Finance. HRM staff estimate the annual amount expected to be available for allocation based on the revenue from the prior fiscal year and any remaining balance expected at year-end. Special event grants are awarded to eligible recipients up to the amount of available funding for the year. There does not appear to be an established policy or process within the reserve business case to deal with funds held above the $1,000,000 ceiling. For fiscal year 2012/2013, the annual budget has been set at $2,217,823. This amount includes that portion of the marketing levy expected to be transferred to Destination Halifax and funds to be used by HRM as special event grants.

**Recommendations**

The following recommendations apply to Sections 2.2 and 2.3 and have been numbered under Section 2.3 for convenience.

2.3.1 HRM Administration should ensure the draft Memorandum of Understanding with Destination Halifax is reviewed and any appropriate changes made and finalized as soon as possible.

2.3.2 HRM Administration should consider, along with Destination Halifax, the funding arrangement within the Memorandum of Understanding. The current formula is a fixed percentage of the yearly Marketing Levy. The OAG would suggest a fundamental and needed change would be to tie the funding to agreed-upon and measureable performance.

2.3.3 On the assumption (or at least for the time being) should current arrangements continue, HRM Administration should engage both Greater Halifax Partnership and Destination Halifax in the development of the implementation plan to achieve the economic strategy, which would include the expected goals or outcomes to ensure roles and accountabilities are absolutely clear.

2.3.4 With the above recommendation in mind, once the implementation plan and its goals are approved, HRM Administration should request Greater Halifax Partnership
and Destination Halifax prepare action plans for those outcomes for which they have accepted responsibility.

2.3.5 Using the services of the economic development resource being suggested by the OAG in Recommendation 1.0.1, HRM Administration should determine the appropriate performance measures for the goals accepted by each of Greater Halifax Partnership and Destination Halifax and hold both organizations accountable on a yearly basis.

2.3.6 The OAG would suggest HRM Administration, Greater Halifax Partnership and Destination Halifax accept the view of the OAG that both Greater Halifax Partnership and Destination Halifax have limited resources and with that the likely lack of expertise in all areas which may be needed to achieve the outcomes of the strategic implementation plan. With this in mind, HRM should consider utilizing a portion of the approximately $3,600,000 in annual funding to engage other service providers with the needed experience or expertise, or how this would be accomplished through its partners and their ongoing funding.

2.3.7 HRM Administration should consider reviewing and amending the business case for the Marketing Levy Special Events Reserve to establish a specific mechanism to deal with any surplus funds which may occur in a fiscal period due to a) unanticipated revenue increases or b) a reduction in spending.
2.4 Integration of HRM’s Economic Strategy with its Business Plans and Budget

According to Edward J. Blakely, best practice in strategic planning suggests economic development should become the objective “for all ongoing local community governance functions, and that the full set of regulations, tax policies, public works, and local government program expenditures be framed with long-term economic development objectives firmly in mind.” Blakely goes on to write:

“The strategic style of planning thus boils down to doing the everyday business of local government with one additional long-term objective firmly in mind: economic development.” (Blakely 1989)

Fiscal year 2007/2008 was the halfway point in the implementation of the HRM Economic Strategy 2005-2010. To gain some understanding of how HRM has approached the integration of business plans with economic development in the past, and to allow for constructive comment going forward, we compared the following to determine the degree of alignment to the HRM Economic Strategy 2005-2010:

- Regional Council’s focus areas for 2007
- Executive Management Team priority areas
- capital and business unit budgets and plans for fiscal year 2007/2008
- service agreement with Greater Halifax Partnership
- activities of Destination Halifax as noted in their annual report.

The results of this review are outlined in the following sections.

Operating Business Plans and Budgets

A general review of the 2007/2008 and other selected years’ operating business plans and budget documents for HRM would suggest a number of economic development-related activities were planned, although the documents did not appear to include any direct mention or linkage to the approved HRM Economic Strategy.

However, we were advised during the project, individuals at Greater

---

36 Ibid, page 86
We were advised during the project, individuals at GHP at a senior level had begun a practice of meeting with business units during the HRM business planning process in an attempt to encourage stronger operational ties to the economic strategy. We believe this to be a positive step forward and suggest a more formal approach to integration be undertaken.

The obvious question is how well HRM business unit managers and staff understand the impact or linkage their day-to-day activities may have upon the success of the economic strategy and the economy. As Edward J. Blakely has stated:

A strategic view of planning would put economic development specialists at the focal point of budgets, tax policies, public procurement, expenditure patterns, and public finance.\(^{37}\)

### Capital Business Planning and Budgets

One could perhaps argue most capital expenditures, whether new or recapitalization, are economic development activities because funds are spent on improving, enhancing or creating new infrastructure to serve the greater community. If the primary purpose of economic development, according to the literature is “to create new jobs and stimulate economic activity in a well-defined economic zone” \(^{38}\) then capital projects funded by HRM should have economic development outcomes measured in terms of measurable growth within a well-defined economic zone. The term ‘well-defined’ would suggest something that is accurately stated or described.

A general review of capital budget documents and specifically those for fiscal year 2007/2008, revealed no described linkage to the HRM Economic Strategy 2005 to 2010. However, a number of projects would appear by default to support the strategies. For example, activities which likely support one of the strategies being to “create a gung-ho business climate” would include:

- E-Commerce & Web Services - Portal Project
  - To provide infrastructure which allows users to access a variety of on-line services from one user id and


\(^{38}\) Ibid, page 58
username over the web

- Connecting HRM (Rural Broadband)
  - To enable and support enhanced business, learning and service opportunities in rural regions
- A variety of recapitalization projects to upgrade HRM buildings and facilities used to deliver municipal services
- To support services delivered by community groups and heritage properties owned by HRM
  - A variety of new capital projects such as the new Woodlawn Library Expansion, Public Art Repair, Cultural Asset Inventory, and Street-Scaping in Hubs & Corridors, Building Communities Capital Fund for parks, playground development and recreation centre development
- To enhance neighbourhoods and smaller communities
  - Street and land development infrastructure projects related to new streets, sewer, storm water, trails, traffic lights and signals, transit services
  - To improve or enhance opportunities for development
- To improve and enhance transportation delivery.

It was not possible to determine from the capital budget documents if any of the projects were focused on a well-defined economic zone or zones or if there was to be any linkage to the overall economic strategy.

**Recommendations**

2.4.1 In keeping with the process already developing between HRM and Greater Halifax Partnership, and as suggested in industry literature, HRM should strengthen its business plan development in both the operating and capital budgets, to better align with the goals and action plans outlined in the economic strategy. A series of workshops could perhaps provide senior and mid-level management with an opportunity to better understand the various stakeholders who participate in economic development activities within HRM, and to explore and discuss the economic challenges and opportunities which exist.

2.4.2 HRM Administration should consider developing, in conjunction with Greater Halifax Partnership, a training tool
which would educate municipal staff and elected officials regarding the roles and responsibilities the Municipality plays in developing the local economy and the importance of the work they do in support of economic growth.
2.5 Financial Support - Greater Halifax Partnership and Destination Halifax

2.5.1 Greater Halifax Partnership – Selected Financial Information

Currently, the Municipality provides the Greater Halifax Partnership with an annual operating grant of $1,400,000. Over the period 2005-2012, the HRM share of Greater Halifax Partnership total revenue increased from 26% to just over 43%. Greater Halifax Partnership has, until recently, received contributions from all three levels of government. Over the review period, the Provincial and Federal contributions have matched each other at an average of 4.6% of total revenue, while HRM’s contribution averaged 37.2%. We were advised by Greater Halifax Partnership, they have been notified by the Federal Government their funding will cease around May 2013. Other sources of revenue for the same period include private sector funding (34.9% average) and project funding (18.7% average). Tables 2.5.1.1 and 2.5.1.2 provide selected actual information over the review period.

<table>
<thead>
<tr>
<th>Table 2.5.1.1 Greater Halifax Partnership Revenue 2005-2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>HRM Contribution</td>
</tr>
<tr>
<td>Provincial Contribution</td>
</tr>
<tr>
<td>Federal Contribution</td>
</tr>
<tr>
<td>Non-public sector investment</td>
</tr>
<tr>
<td>Other revenue</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Table 2.5.1.2 Greater Halifax Partnership Revenue Sources as a Percentage of Total 2005-2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>GHP Total Revenue</td>
</tr>
<tr>
<td>HRM Contribution</td>
</tr>
<tr>
<td>Provincial Contribution</td>
</tr>
<tr>
<td>Federal Contribution</td>
</tr>
<tr>
<td>Non-public sector investment</td>
</tr>
</tbody>
</table>

39 GHP data is reported on the calendar year for 2005 and 2006; data for 2007/08 onwards is reported on a fiscal year April 1 – March 31 basis.
Chart 2.5.1.1 graphically highlights the changes in public sector funding received by GHP over the review period.

Chart 2.5.1.1 Greater Halifax Partnership – Public Funding Sources as % of Total Revenue

The service agreement between HRM and Greater Halifax Partnership detailed 29 specific activities to be carried out (over the 2005-2010 time period) under the $1,400,000 yearly funding envelope and also included the rollout of the economic strategy. Additional work, beyond the 29 specific activities, was purchased on a sole-source basis from Greater Halifax Partnership by HRM. Except for those years where the economic strategy was revisited (2008, 2010) the expenditures for this additional work were nominal (under $10,000 per year).

For calendar years 2005 and 2006, Greater Halifax Partnership did not report on its outputs based on the individual activities contained in the service agreement. Instead, Greater Halifax Partnership summarized the cost of its activities into five broad categories which more closely aligned with their budget rather than the service agreement. In 2007, Greater Halifax Partnership changed from a calendar to fiscal year reporting format and began to report on its activities in alignment with the Economic Strategy 2005-2010. Also at this time, Greater Halifax Partnership began to report its administrative costs separately. (See Table 2.5.1.3)
Table 2.5.1.3  Greater Halifax Partnership – Reporting Categories 2005-2007 and 2007-2010

<table>
<thead>
<tr>
<th>Category</th>
<th>2005-2007</th>
<th>2007-2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Retention &amp; Expansion</td>
<td>Supercharge our Labour Force</td>
<td></td>
</tr>
<tr>
<td>Business Development</td>
<td>Leverage our Creative Community</td>
<td></td>
</tr>
<tr>
<td>Partnerships and Projects</td>
<td>Create a Gung-ho Business Climate</td>
<td>Capitalize our Reputation</td>
</tr>
<tr>
<td>Communications</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational Effectiveness</td>
<td>Convert Rivalries to Partnerships</td>
<td>Corporate Services &amp; Organizational Effectiveness</td>
</tr>
</tbody>
</table>

Over the past five years, while the HRM contribution has remained relatively consistent, Greater Halifax Partnership’s reliance on this contribution has increased from 39% to just over 43% of total revenue. In fact, the leveraging of the HRM investment has decreased over the review period. This trend is of great concern to the OAG. The decrease in other sources of funding has clearly affected the expected benefits to be gained by HRM through the public/private partnership model as was contemplated on the establishment of Greater Halifax Partnership. As noted earlier, Greater Halifax Partnership was expected to leverage its activities to obtain other sources of funding which would allow for greater economic development activities and economies of scale. With the greater percent of Greater Halifax Partnership’s total revenue being received from HRM, the success of the leveraging model is becoming less and less.

Commentary with Respect to GHP Overhead

To gain some sense of Greater Halifax Partnership’s overhead, an estimate was discussed with their staff. The OAG was advised estimates of committed or fixed costs for Greater Halifax Partnership have increased from 29% of total costs (2005) to 47% (2009/10), with the percentage change resulting from both increases in overhead costs and the total Greater Halifax Partnership budget having decreased. In fact, more and more financial resources are being used primarily for wages, benefits and rent. Unfortunately, by default, the amount of HRM’s contribution towards Greater Halifax Partnership’s overhead is becoming greater and greater.

As noted earlier, the OAG has also been advised the Federal government recently notified Greater Halifax Partnership it will not continue to provide a yearly contribution. This also changes

---

40 Prior to 2007, administrative costs were included within the five categories used by GHP
significantly the dynamics around the Public Private Partnership and the leveraging model.

This emerging situation suggests a revised format for the understanding of the efficiencies of the present funding model may be in order. Given the present situation, it is more and more likely, the development of ad hoc efficiency performance measures might suggest economies within the total budget can and should be obtained. As an example, we often hear Greater Halifax Partnership’s premises do not cost HRM “any money” as the expenditure is covered in large part by in-kind contributions. In reality, not receiving the in-kind contribution as discounted rent might mean Greater Halifax Partnership would be located in a similar-sized space for fewer dollars. So while there is value in the in-kind contribution, it may not support the Greater Halifax Partnership leveraging model in the manner originally contemplated when the organization was established. In point of fact, the needed in-kind services may well take away from available time for Greater Halifax Partnership to complete HRM undertakings.

2.5.2 Destination Halifax – Selected Financial Information

The Municipality provides funding to Destination Halifax in two ways. The first is similar to the funding provided to the Greater Halifax Partnership being an operating grant. For the year 2012, Destination Halifax received an operating grant of just under $400,000. The second level of funding is a percentage of the Marketing Levy collected on the rental of certain hotel rooms and other accommodations in the HRM. In 2012, funds transferred from the Marketing Levy to Destination Halifax totalled approximately $1.79 million.

Since 2006, HRM has, through the operating grant and marketing levy, contributed over 80% of total revenues for the operation of Destination Halifax. The percentage of funding provided by HRM towards Destination Halifax’s revenue has remained somewhat stable varying between 80.7% and 82.9% of all revenue since 2006. A breakdown of revenue is provided in Tables 2.5.2.1 and 2.5.2.2.
## Table 2.5.2.1 Destination Halifax Revenue 2005 – 2012

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>DH Total Revenue</td>
<td>$2,350,572</td>
<td>$2,645,133</td>
<td>$2,698,091</td>
<td>$2,738,148</td>
<td>$2,646,044</td>
<td>$2,608,262</td>
<td>$2,676,531</td>
<td>$2,668,053</td>
</tr>
<tr>
<td>HRM Grant</td>
<td>$377,319</td>
<td>$386,937</td>
<td>$389,383</td>
<td>$399,071</td>
<td>$403,537</td>
<td>$386,685</td>
<td>$383,934</td>
<td>$378,189</td>
</tr>
<tr>
<td>HRM Marketing Levy</td>
<td>$1,309,353</td>
<td>$1,747,606</td>
<td>$1,823,005</td>
<td>$1,871,789</td>
<td>$1,778,462</td>
<td>$1,761,915</td>
<td>$1,811,964</td>
<td>$1,791,630</td>
</tr>
<tr>
<td>NS Tourism &amp; Culture</td>
<td>$75,000</td>
<td>$75,000</td>
<td>$75,000</td>
<td>$75,000</td>
<td>$75,000</td>
<td>$75,000</td>
<td>$75,000</td>
<td>$75,000</td>
</tr>
<tr>
<td>WTTC</td>
<td>$50,000</td>
<td>$50,000</td>
<td>$50,000</td>
<td>$50,000</td>
<td>$50,000</td>
<td>$50,000</td>
<td>$50,000</td>
<td>$50,000</td>
</tr>
<tr>
<td>Membership Dues</td>
<td>$131,700</td>
<td>$134,331</td>
<td>$134,293</td>
<td>$139,543</td>
<td>$138,893</td>
<td>$133,450</td>
<td>$136,421</td>
<td>$145,260</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>$407,200</td>
<td>$251,259</td>
<td>$226,410</td>
<td>$202,745</td>
<td>$200,152</td>
<td>$201,212</td>
<td>$219,212</td>
<td>$267,974</td>
</tr>
</tbody>
</table>

## Table 2.5.2.2 Destination Halifax Revenue Sources as a Percentage of Total 2005 – 2012

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>DH Total Revenue</td>
<td>16.1%</td>
<td>14.6%</td>
<td>14.4%</td>
<td>14.6%</td>
<td>15.3%</td>
<td>14.8%</td>
<td>14.3%</td>
<td>14.2%</td>
</tr>
<tr>
<td>HRM Grant</td>
<td>55.7%</td>
<td>66.1%</td>
<td>67.5%</td>
<td>68.4%</td>
<td>67.2%</td>
<td>67.6%</td>
<td>67.7%</td>
<td>67.2%</td>
</tr>
<tr>
<td>HRM Marketing Levy</td>
<td>3.2%</td>
<td>2.8%</td>
<td>2.8%</td>
<td>2.7%</td>
<td>2.8%</td>
<td>2.9%</td>
<td>2.8%</td>
<td>2.8%</td>
</tr>
<tr>
<td>NS Tourism &amp; Culture</td>
<td>2.1%</td>
<td>1.9%</td>
<td>1.9%</td>
<td>1.8%</td>
<td>1.9%</td>
<td>1.9%</td>
<td>1.9%</td>
<td>0.4%</td>
</tr>
<tr>
<td>WTTC</td>
<td>5.6%</td>
<td>5.1%</td>
<td>5.0%</td>
<td>5.1%</td>
<td>5.2%</td>
<td>5.1%</td>
<td>5.1%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Membership Dues</td>
<td>17.3%</td>
<td>9.5%</td>
<td>8.4%</td>
<td>7.4%</td>
<td>7.6%</td>
<td>7.7%</td>
<td>8.2%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>16.1%</td>
<td>14.6%</td>
<td>14.4%</td>
<td>14.6%</td>
<td>15.3%</td>
<td>14.8%</td>
<td>14.3%</td>
<td>14.2%</td>
</tr>
</tbody>
</table>

## Chart 2.5.2.1 Destination Halifax – Public Sector Funding as % of Total Revenue

![Destination Halifax Public Sector Funding Sources (% of Total)](chart.png)

Note: The blue (diamond) and red (square) lines are plotted on the left axis; the green (triangle) line is plotted on the right for readability.
Differences in the Way Destination Halifax and Greater Halifax Partnership are Funded by HRM

There is a fundamental difference in the way Greater Halifax Partnership and Destination Halifax are funded. Currently, Greater Halifax Partnership receives various levels of public funding based on predetermined lengths of time. The remainder of the funding is generated on a yearly basis as a result of “sales” activities of the organization in the generation of membership dues and new projects. Clearly there can be variations in yearly revenue and hence, in what can be accomplished.

Destination Halifax, on the other hand, receives the majority of its funding from the Marketing Levy paid by those choosing to spend time in HRM and stay in certain local accommodations. Clearly, the greater the tourism trade (accommodations) is through the efforts of Destination Halifax as well as other tourism generating activities, for example conventions (generated by Trade Centre Limited) and concerts (generated by promoters), the greater the Marketing Levy is to HRM. Currently the sharing of this levy between HRM and Destination Halifax is based upon a fixed formula. With this formula, any increase in the overall marketing levy is automatically available on a percentage basis to Destination Halifax without proper yearly consideration of the overall change and what change in expectations (outcomes) and in performance models should take place.

2.6 Opportunities for Administrative Co-operation - Possible Integration of Destination Halifax and Greater Halifax Partnership

As noted earlier, the question of whether these two organizations should be integrated into one umbrella organization has been discussed from time to time. The most obvious reason would be the possible savings from any duplicated administrative or oversight functions.

The OAG reviewed (in a general sense) expenditures for both Destination Halifax and the Greater Halifax Partnership in an effort to isolate areas where some economies of scale may be possible, or to minimize costs either by cooperation and/or the leveraging of contracts HRM may already have in place.

Given the very different manner in which each of the organizations
captures and records various costs, a meaningful analysis would have required considerable time and resources. The OAG did not feel this would provide useful analysis as it is generally accepted a large part of all costs for both organizations are incurred in program or report preparation and delivery. The value and measures of the outputs are the most important analysis which are commented on extensively in other sections of the report. However, based upon limited analysis and information gathered during the preparation of this report, some comments can be made.

As noted earlier, exact comparisons between the two agencies were not possible but, in the opinion of the OAG, it is fair to assume some duplication of services may exist, specifically in the areas of senior management and governance, payroll, procurement, accounting and human resources. Any potential savings would result from duplicated positions as well as overhead costs associated with these positions.

Clearly, for both organizations, the vast majority of total costs are incurred as wages and benefits. These wage costs would essentially represent individuals involved in direct delivery of services as well as those in support positions. As noted earlier, an in-depth analysis of positions was not practical given the manner in which each organization captures and reports these costs; however, without evidence to the contrary, it appears reasonable to conclude a very high percentage of these wages are incurred as part of the costs in the delivery of services of some type.

At the executive and strategic level of operations, certain skill sets may also be duplicated; however, the uniqueness of the respective services may not adequately lend themselves to a complete merger of administrative or oversight functions. It is also assumed both Chief Executive Officers are actively involved in day-to-day operations, albeit with different focus.

It would appear the number of administrative-type positions in both organizations is low; therefore, total cost savings associated with these positions (including overhead items such as rent, telephone, general office and similar expenses) would also likely be low.

Rent expense was another area the OAG did not analyze in detail
due to the fact at least one of the organizations received in-kind contributions towards rent from a partner. The rent paid by Greater Halifax Partnership for their offices is discounted by the property owner who is a partner in Greater Halifax Partnership.

While expenditures other than wages and benefits and perhaps rent are relatively low in both organizations, there could be savings either through using in-kind services provided by HRM, where there is current capacity, and/or the use of HRM’s greater buying power.

At this point in the discussion, the OAG wishes to point out one important fact with respect to any reorganization of Greater Halifax Partnership and Destination Halifax. Both organizations exist essentially separate and apart from HRM. HRM chooses to use these organizations to accomplish objectives with respect to economic development, and does this through the provision of funding. It is the view of the OAG, any change in the structure of either organization would have to result from discussions and analysis at their management and boards of directors levels. HRM’s influence is likely limited to suggestion and where its funding is allocated.

It is the view of the OAG the benefits to be received by HRM due to the merger of Greater Halifax Partnership and Destination Halifax are in other areas and result from observations and conclusions reached in other sections of this report. These benefits are more in the areas of a consolidated approach, integration of focus, greater ease of sharing ideas and interactions as well as lower cost on the part of HRM to administer the funding and relationships of two separate organizations through accountabilities of one CEO versus two, for example.

Based upon a limited review and calculation, the immediate cost savings from merging the two organizations is likely not material in any one year, but with a focus on administrative savings, could over the course of time be significant.

### Recommendations

2.6.1 HRM Administration should review the reasoning behind the formation of Greater Halifax Partnership and Destination Halifax both as separate organizations and also as organizations outside of the administration of HRM. The
OAG has suggested a number of questions to be considered as a starting point for a discussion, given the original objective for the formation of Greater Halifax Partnership, for example, was centralization.

2.6.2 HRM Administration should consider the OAG’s suggestion of a more focused approach to economic development with high consideration of the comments around more focused support for businesses of all sizes and entrepreneurs. With the decline in Greater Halifax Partnership private sector funding and projects, this trend is of great concern to the OAG.

2.6.3 HRM Administration should consider offering in-kind services and extending procurement opportunities (beyond the current levels) to Destination Halifax and Greater Halifax Partnership in an effort to minimize administration costs.

2.6.4 As has been noted in a number of other OAG reports, the roles and responsibilities of HRM-appointed representatives to various boards and commissions has been raised as a concern. The OAG saw, once again in the completion of this report, some level of confusion as to roles, responsibilities, expected competencies and reporting requirements of its representatives on Greater Halifax Partnership and Destination Halifax boards. As previously recommended in other reports, the OAG would recommend HRM provide specific written clarification outlining what the expected roles and responsibilities are for their representatives serving on the boards of Greater Halifax Partnership and Destination Halifax.
3.0 The Theory of Leveraging - Risk Identification in Performance Measures Now and in the Future if Trends Continue

It would seem, HRM moved forward with the public/private structure of both Greater Halifax Partnership and Destination Halifax to enable the establishment of strategic alliances with other levels of government and private enterprises, allowing the partners to leverage their core funding and expertise to create new relationships, reach new markets and potentially benefit from economies of scale. Properly managing HRM’s economic development under this type of framework requires qualified and dedicated HRM resources. Such personnel would identify potential risks leading to failure of the strategy’s desired outcomes, and have the ability to develop offsetting procedures and controls to mitigate these risks. It seems, at least on the surface, these competencies, to the extent they existed in HRM, were transferred to the partners.

As noted earlier, HRM chose to utilize a model with Greater Halifax Partnership, where it would be a public/private partnership with contributions from both. Over the review period of 2005 through 2010, public money was contributed from all three levels of government. HRM, on average, contributed 80% of all public monies while the Federal and Provincial governments’ contribution averaged 20%.

In 2005, the public/private model leveraged $1.25 in private investment, both cash and in-kind services, for every public dollar contributed to Greater Halifax Partnership. This number dropped in 2009/10 to leveraging $0.67 in private investment for each public dollar. Using data for the most recent two years, the leveraging continued to decline to $0.59 of private investment for each public dollar received. This suggests essentially, the benefits expected to be derived from the leveraging model are diminishing, not increasing, as was expected when the partnership model was first developed. Greater Halifax Partnership receives both cash and in-kind funding from its private sector investors, and this funding is for both core operations as well as specifically purchased services. While the overall private sector investment has reduced from $1.25 to $0.59 (a 53% decline) between 2005 and 2012, fortunately the cash portion of the private sector investment has only decreased 29% from $0.48 to $0.34 for every public dollar contributed. On a more positive
note, over the past three years the private sector cash investment shows a slight increase.

| Table 3.0.1 Public/Private Sector (Actual) Investment — Greater Halifax Partnership |
|-----------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Public Sector*                              | 1,187,500    | 1,200,000    | 1,800,000    | 1,700,000    | 1,730,000    | 1,730,000    | 1,730,000    |
| Private Sector                              | 1,482,608    | 1,221,964    | 1,027,717    | 1,264,512    | 1,152,926    | 1,109,882    | 1,019,351    |
| Total                                        | 2,665,109    | 2,422,964    | 2,827,717    | 2,964,512    | 2,882,926    | 2,840,882    | 2,749,351    |
| Public:Private                              | 1:1.25       | 1:1.02       | 1:0.57       | 1:0.74       | 1:0.67       | 1:0.64       | 1:0.59       |
| Private Sector (cash only)                  | 573,354      | 557,125      | 555,000      | 617,350      | 521,850      | 545,350      | 592,300      |
| Public:Private (cash only)                  | 1:0.48       | 1:0.46       | 1:0.31       | 1:0.36       | 1:0.30       | 1:0.32       | 1:0.34       |

*includes Municipal, Provincial and Federal contributions

There is an important distinction to be made between creating a partnership and managing one. There are inherent risks associated with all partnerships. With respect to Greater Halifax Partnership and Destination Halifax, any lack of clear agreement and understanding of service level expectations for the investment made between the parties, increases potential risks to all stakeholders. Again, much of this risk can be reduced with well-documented and supported contracts and agreements, and assignment for managing the contract to the employee(s) holding the necessary qualifications with sufficient authority to address shortcomings that might occur in the services received. Given the experiences of the OAG and various observations and discussions, this risk around service level expectations and deliverables is very real, not just a probability.

Recommendations

3.0.1 The OAG recommends HRM Administration consider, with respect to the risk management concerns noted above, the additional benefits to be gained through the services of the individual(s) as suggested in Recommendations 1.0.1, 1.0.2 and 1.0.3.

3.0.2 With the original objective of Greater Halifax Partnership being a partnership between the three levels of government and the private sector, the apparent reduction in revenue from private sector activities (support) should be reviewed by HRM Administration to determine the likely reasons for this and the impact on HRM’s current economic development model.
4.0 Value for Money and Performance Measures – OAG Comments/Concerns

When evaluating value for money from a program or service, the OAG normally looks at what inputs (resources) were assigned, what outputs were produced and how they align with the outcomes the program or service set out to achieve, these being measures of efficiency, effectiveness and economies.

In the case of economic development, there are two layers to the measure of performance or value for money:

1. HRM owns the economic strategy and has responsibilities to monitor and measure the performance of the strategy itself
2. As HRM has chosen to contract out the responsibility for implementation of the strategy to Greater Halifax Partnership (as HRM’s economic arm), HRM therefore, also has a responsibility to govern this partnership and evaluate performance on the implementation of the strategy as set by Regional Council. Section 3.0 introduced the concept when it looked at the risks associated with present relationships.

As has been noted in a number of other OAG reports, when measuring results, the OAG is most interested in intended outcomes as opposed to simply outputs.

In order to assess intended outcomes, a clearly defined plan which includes the inputs to be used from those available, along with how these outcomes are to be measured, is necessary. This plan is, by definition, the strategy.

The OAG struggled in completing the appropriate analysis with the usefulness of much of the data which was available or should have been available. While this situation was not totally unexpected, it did pose significant issues for the OAG in how to move the project forward so as to add value to HRM, and in particular, to guide Regional Council. In a true performance review, the OAG would be able to undertake attestation procedures to allow comment with respect to the direct benefit HRM has received for the resources used, in the case of Greater Halifax Partnership the $1,400,000 invested, and in the case of Destination Halifax, the allocation of approximately $2,220,000.
What is Reported to Regional Council - Why Performance Measures are so Important

HRM has chosen to govern the relationship with Greater Halifax Partnership through a service agreement with the assignment of tasks on essentially a yearly basis with the grant funding generally assigned to each task equally by Greater Halifax Partnership. Each line item task is, in theory, in support of an objective or goal of the overall HRM strategy. In the most recent Regional Council report where this agreement was reviewed the measures assigned for performance were developed by Greater Halifax Partnership and not by Regional Council or HRM Administration, and simply outlined if the task had been completed in their minds. 41

This approach does not speak to the effectiveness of the overall strategy implementation or to the value created by completing the line item tasks. In meetings with Greater Halifax Partnership, there was an indication some of the items on the list were performed simply to ‘tick a box’ and did not represent best use of the resources assigned to support the overall strategy.

As was discussed earlier, HRM must create an economic development strategy for itself, govern its implementation and then hold itself and others accountable for its success or failings. If Greater Halifax Partnership is to be the economic arm, HRM must have the expertise internally to create a service agreement which is not simply line items to tick off as completed, but an implementation plan with specific, measurable outcomes and levels of impact to be reached within a defined period of time.

The OAG is concerned with the present structure of the agreement with Greater Halifax Partnership and lack of agreement with Destination Halifax.

As was previously discussed, HRM creates an annual service agreement with Greater Halifax Partnership. This agreement outlines how GHP is tasked with creating the economic strategy, implementing the strategy and evaluating its success, along with several other itemized tasks.

A line item of one Greater Halifax Partnership service agreement was to visit 200 businesses in HRM; the expected output for this task would be the 200 visits but what do these visits mean in terms of successful completion of the economic strategy?

With Greater Halifax Partnership’s service agreement in its present form, it is difficult for HRM to claim any direct benefit of the money spent on the individual line items of the agreement as the desired outputs do not speak to an overall outcome for Greater Halifax Partnership to achieve. The outputs of the service agreement should be tied to desired and prescribed outcomes of the strategy and should define what successful achievement of these expected outputs should look like.

Many of the line item deliverables in the agreement appear to be composed primarily of discussion papers, action plans, data collection and maintenance, and face time with other organizations. While this provides some value, there is no indication the evaluation or monitoring of it measures against best approach (how economic is it) or if it is the most effective method of implementing the economic strategy. The only measure of success appears to be if the task, as outlined, has been completed. There is no link to a predetermined outcome for the task.

Due to this lack of appropriate oversight and reporting on the effectiveness of Greater Halifax Partnership, it is difficult to understand what would occur in the absence of the investment other than fewer reports, fewer discussion papers and information in relation to the strategy.

In the case of Destination Halifax, the situation in many regards is compounded as HRM has not caused the appropriate discussions to take place leading to a service agreement which includes all of the components being suggested for Greater Halifax Partnership.

It is unclear to the OAG how the service agreements with Greater Halifax Partnership address in an effective manner any individual performance measures, either individually or collectively. HRM does not define what successfully achieving the implementation plan items looks like in terms of outcomes. For example, a line item of one annual service agreement was to visit 200 businesses in HRM; the expected output for this task would be the 200 visits but what do these visits mean in terms of successful completion of the economic strategy?
The Need for Specific and Proven Economic Development Experience - Role Clarity and Leadership

These issues bring up a number of questions:

- Who is driving economic development in HRM
- Who is monitoring and reporting on the success of the strategy
- Who is monitoring the method of implementation of the strategy?

The above points lead to the question of clarity of roles. As is often the case, the OAG is not certain the appropriate role clarity existed, either at the time of the development of the first economic strategy or the current one. As has been noted in a number of reports prepared by the OAG, the question of expertise of leadership is important to role clarity.

It should be clearly understood when this matter is brought forward by the OAG, it is not to suggest, in any way, those in HRM leadership roles are not competent individuals. The point is raised due to the observation of individuals in particular roles where their competency map might suggest they hold expertise in an entirely different area or their experience is simply not broad or long enough. This aspect of governance, although outside the scope of this project, is important to the OAG as it appears more attention is required by HRM to better define or align responsibility and accountability for certain functions (by position or program) to the appropriate leadership expertise. This has been similarly noted across various programs and service delivery functions of HRM and reported in prior reviews released by the OAG.

The OAG recommends seeking assistance through a qualified individual with accreditation in local economic development who will not only be responsible for the generation of a clear, concise and effective strategy, but also will be held accountable for implementation with clear, measurable outcomes which are tied back to the strategy to evaluate its effectiveness.
Difficult to Measure Performance - Ad Hoc Approach Needed to Allow Comment

The number of players engaged in growing the economy of HRM can all claim some responsibility for the outcomes of the economic strategy. Attributing any one action or player to an outcome is not possible as the very model HRM has adopted is one based on building and leveraging partnerships with all levels of government, the development and business communities and the public at large. Therefore, an ad hoc measurement was required in order to achieve one of the objectives of this review: to identify whether or not the outcomes generated by individual activities are reasonable and justifiable for the level of investment made.

The ad hoc approach the OAG has chosen to use to evaluate the value for money received from HRM’s investment in economic development was to first consider economic development activities from an academic perspective. Using this approach, we were able to compare the process used by HRM in the development of an economic strategy with the key components suggested by academics.

According to Edward J. Blakely, in the text book Planning Local Economic Development *Theory and Practice*, there are four potential strategic approaches which can be taken, each focusing on a different resource base:

- Locality Development
- Business Development
- Human Resources Development
- Community-based Employment Development.

Locality development has, as its focus, the development and use of land, while business development focuses its resources towards sustaining existing business and the development of new. Human resource development plans explore and forge close connections between those that provide training to those which require the labour. Finally, a community-based employment development approach promotes cooperative-based economic development at the neighbourhood level.

HRM appears to do a good job at conceptualizing and planning. As one person has put it, HRM appears to have created an industry of...
The OAG is recommending significant changes to HRM’s approach to and funding of economic development, with three areas being proposed as being both in need of focus and critical to success.

It is the view of the OAG while HRM has made some progress in its planning for economic development, unfortunately, it gives the impression the continued need for reports with so many different subjects may be supporting a false sense of progress.

As will be seen in the following section, the OAG is recommending significant changes to HRM’s approach to and funding of economic development, with three areas being proposed as being both in need of focus and critical to success.

**OAG Ad Hoc Performance Measures**

As noted earlier, without specific performance measures in place, the OAG is not able to apply attest procedures to allow for proper comment. Therefore, the OAG has created the following as a framework to allow some level of comment:

1. Does there appear to be a clearly defined and approved economic strategy in place to guide HRM expenditures to the economic development matrix of inputs and defined outcomes?
2. Is the strategy specific enough to be easily understood with an approach which is clearly articulated and supported on a consensus basis?
3. In the development of the implementation plan, has HRM been clear in what type of role it is assuming?
4. Is the strategic approach (for example, locality development or business development) used as the foundation for the implementation plan guiding the Administration as to what inputs will be used among the many which are available?
5. Does the strategy being used speak to specific expected outputs resulting from HRM inputs?
6. Are the outputs defined as specific outcomes or is HRM simply accepting of outputs – which essentially are non-defined activities?
7. Are alternative delivery models reviewed and considered and are the chosen policies and procedures used defendable as most economical in the circumstances?
8. Is there a regular reporting to Regional Council of expected outcomes to achieved outcomes?
9. Would the citizens of HRM be supportive of the approach used by HRM and fully understanding of it?

10. If HRM were to be compared to other municipalities in the region or across the country, how favourable would the comparisons appear? Given it is the view of the OAG, that business and, in particular, entrepreneurs are essentially the key to economic development, some comparisons of HRM to other entities with respect to business would be useful.

OAG Conclusions

Without appearing to be overly harsh, it is the view of the OAG if the above points were to be considered, HRM would not score highly on the ad hoc performance framework when it comes to economic development, particularly in the area of understanding the importance of supporting entrepreneurial opportunities.

This view of the importance of entrepreneurs is supported by others well versed in the field of economic development. For example, in an article published by The Canadian Business Journal, the Canadian economy (including HRM) is “number one in entrepreneurship and small business development” made up of predominately small to medium size businesses.

In October 2012, the Canadian Federation of Independent Business (CFIB) released their fifth annual installment of Communities in Boom. In the release, they state “there is no single best way to measure the entrepreneurship quotient of cities”, so they use a series of approaches arriving at scores for the various municipalities in the paper.\(^{42}\)

The study reviewed 14 indicators for three main measurement categories:

- Presence: a representation of the scale and growth of business ownership, as well as its industrial diversity. (Scored 0-25 points)

- Perspective: covers indicators associated with optimism and growth plans. (Scored 0-35 points)

- Policy: represents indicators associated with the actions

---

\(^{42}\) The CFIB assembled 14 indicators for cities with populations of 25,000 or more for the report.
local governments take with respect to business taxation and regulation. (Scored 0-40 points)

Halifax’s position in the overall CFIB index improved from 64th to 55th between 2011 and 2012, which is of course good news; however, it slipped within the ranking of Atlantic Canadian cities from seventh to ninth. Halifax has often been perceived as the leader within Atlantic Canada, however CFIB top entrepreneurial cities rankings do not reflect this and in fact are showing Halifax as losing ground among its neighbouring communities.

Table 4.0.2 CFIB Communities in Boom City Entrepreneurial Index – Atlantic Canada

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>St. John's</td>
<td>10</td>
<td>57</td>
<td>56</td>
<td>9</td>
<td>22</td>
<td>26</td>
</tr>
<tr>
<td>Miramichi</td>
<td>26</td>
<td>52</td>
<td>47</td>
<td>11</td>
<td>18</td>
<td>23</td>
</tr>
<tr>
<td>Charlottetown</td>
<td>33</td>
<td>51</td>
<td>58</td>
<td>11</td>
<td>14</td>
<td>26</td>
</tr>
<tr>
<td>Corner Brook</td>
<td>35</td>
<td>51</td>
<td>50</td>
<td>10</td>
<td>16</td>
<td>25</td>
</tr>
<tr>
<td>Kentville</td>
<td>38</td>
<td>50</td>
<td>47</td>
<td>9</td>
<td>17</td>
<td>24</td>
</tr>
<tr>
<td>Fredericton</td>
<td>40</td>
<td>50</td>
<td>49</td>
<td>9</td>
<td>17</td>
<td>24</td>
</tr>
<tr>
<td>Moncton</td>
<td>45</td>
<td>50</td>
<td>51</td>
<td>9</td>
<td>19</td>
<td>22</td>
</tr>
<tr>
<td>Bathurst</td>
<td>54</td>
<td>48</td>
<td>45</td>
<td>9</td>
<td>16</td>
<td>23</td>
</tr>
<tr>
<td>Halifax</td>
<td>55</td>
<td>48</td>
<td>47</td>
<td>10</td>
<td>15</td>
<td>23</td>
</tr>
<tr>
<td>New Glasgow</td>
<td>75</td>
<td>45</td>
<td>43</td>
<td>9</td>
<td>13</td>
<td>23</td>
</tr>
<tr>
<td>Truro</td>
<td>77</td>
<td>45</td>
<td>42</td>
<td>9</td>
<td>14</td>
<td>22</td>
</tr>
<tr>
<td>Saint John</td>
<td>78</td>
<td>45</td>
<td>45</td>
<td>11</td>
<td>12</td>
<td>22</td>
</tr>
<tr>
<td>Cape Breton</td>
<td>93</td>
<td>41</td>
<td>44</td>
<td>8</td>
<td>9</td>
<td>24</td>
</tr>
</tbody>
</table>

4.1 Impact of the HRM Method of Developing its Strategy on Outcomes and Performance Measures – the Need for a Strategy with a Three-Area Focused Approach by HRM

With the information and thoughts contained in this report as a foundation for change, the question most likely being asked at this point is, where HRM goes from here. In order to develop the clear strategy being suggested by the OAG, the starting point is for HRM to decide what its role will be in the economic development of the region.

According to economic development literature, there are a number of roles a local government can play in the development of economic growth.

Michael J. Skerry, in his paper The Role of Municipalities in Economic
Development, also discussed the role of local government in the implementation of economic strategy, as advanced by Dr. Edward J. Blakely. He highlighted four potential roles of local government as identified by Blakely:

1. Entrepreneur/developer – local government assumes full responsibility for operating commercial enterprises, by first assessing the commercial potential and then partnering with the private sector to make use of land and buildings under municipal ownership.

2. Co-ordinator – working with other levels of government, businesses and community groups to develop strategies and objectives for the community. Within the HRM context, this would appear to be seen in the business relationship with the Greater Halifax Partnership and, to a lesser degree, Destination Halifax.

3. Facilitator – streamlining the development process and improving the overall business environment. This would appear to be a primary role of every municipality and HRM has recently undertaken a re-organization of like services under one business unit (Community and Recreation Services) with the purpose of addressing and reducing red tape.

4. Stimulator – providing industrial premises and incubator facilities. Within the HRM context, this might apply to the administration, management and sale of HRM municipal business parks but not incubator facilities.\(^\text{43}\)

While the question of which approach HRM should take is well beyond the scope of this report, what can easily be read into each of the points noted above are the constant references to business and interactions with business.

The one underlying note found in all industry literature appears to be a caution to a municipality to take a focused and measured approach when spending tax dollars on economic development and to focus attention in a few areas rather than many.

\(^\text{43}\) Adapted from Michael J. Skerry, *The Role of Canadian Municipalities in Economic Development*, *ICURR PRESS*, pp. 5-6
Creating the Framework for a Three-Area Focused Approach to Economic Development

The OAG believes for HRM to develop a successful three-area focused approach, the following are needed:

1) Acknowledgement by HRM and all stakeholders that an effective and efficient process can only be achieved by working together towards a shared goal, with each stakeholder contributing according to a clearly articulated role, with as little overlap as possible

2) An HRM Economic Strategy set by HRM Regional Council which utilizes expertise from either a) Greater Halifax Partnership, b) another accredited organization, or c) the Chief Economic Development Officer (should the OAG recommendation be implemented)

3) To expedite progress following the creation of the economic strategy, utilization by HRM of any available Provincial or Federal resources to assist in coordinating all activities in relation to economic growth

4) More regular and defined engagement with Destination Halifax.

Three-Area Focused Approach to Economic Development

It is the hope of the OAG, the information and recommendations contained within this report will be the catalyst for immediate and thoughtful discussion around HRM’s approach to economic development and its relationships with its partners. It is also hoped the foundation for change will be a strategy which contains no more than three areas of focus.

In order to stimulate the debate around what these three areas of focus should be, the OAG engaged in discussion with a number of stakeholders and suggested the following to them:

1. The Critical Importance of Business

Private Enterprises

HRM needs to recognize the enormous contribution entrepreneurs make towards the growth of any economy. In fact, many, including the OAG, would suggest growth of entrepreneurs is a key to growth of the HRM economy. HRM needs to understand more clearly this
impact and where it rates with respect to its entrepreneurial ranking, why the ranking is where it is and set a goal of immediate improvement.

With the above point in mind, the OAG believes HRM should review how well it is supporting the start-up and growth of its small business sector. It is recommended HRM have a detailed discussion with Greater Halifax Partnership and Destination Halifax to determine the extent to which their activities both encourage small business to start up in HRM, and also most importantly, discuss critical questions such as, is HRM, through its actions and those of its economic development arms, focusing on how to assist current businesses to grow new customers in new markets.

**Larger Public and Private Business**

As noted earlier, ‘large’ or ‘anchor’ businesses are also critical to the development of the HRM economy. HRM must place a renewed emphasis on this aspect of economic development. This should include the strengthening of relationships with CEOs as well as initiatives to both encourage and support the development of head office expansion in HRM. This could be a role for Greater Halifax Partnership on behalf of HRM.

HRM must agree its relationship with business is not what it could be and commit to improving how it interacts on a day-to-day basis with a further commitment to the reduction of ‘red tape’, and the development of essentially a one-stop shop or a consolidated approach.

### 2. Land Use and Land Banking

HRM needs to understand how important its role is in the areas of land use, planning activities and property taxation. During field work conducted for this review and other projects currently underway, the topic of land banking arose as an example of a best practice in economic development. Following a limited examination to date, the OAG has concluded HRM may not maintain an accurate inventory of all its land and building holdings in a manner which would efficiently and effectively provide for the implementation of this tool, as envisioned.

While other levels of government and private developers have an
influence on the development and use of land within HRM, the primary responsibility for management, control and use of the land lies with HRM.

Consideration should be given to the realignment of activities and skill sets in the planning department to place a far greater focus on commercial development.

3. Bold Approach to Tax Review

HRM should consider what level of tax review may be necessary to develop, on a consensus basis, a tax framework which contains the appropriate elements to support economic development goals. A new and bold approach to the use of rates of taxation and incentives specific to economic development should be considered.

Essentially, growth in existing as well as new services would be driven by this bold approach with the most important outcome being the growth in the base on which to apply tax.

Recommendation

4.1.1 HRM should consider focusing its efforts and resources to those areas where it has primary responsibility and expertise, such as land use planning and property taxation within a facilitative/strategic role. This approach should ensure HRM resources are used to improve the environment in which businesses operate, ensuring businesses and the citizens of HRM receive the best possible service (less red tape) for the level of investment made (value for money).