



OAKVILLE

REPORT

PLANNING AND DEVELOPMENT COUNCIL MEETING

MEETING DATE: APRIL 16, 2018

FROM: Economic Development Department

DATE: March 19, 2018

SUBJECT: Economic Development Annual Report

LOCATION:

WARD: Town wide

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RECOMMENDATION:

That the staff report from the Economic Development department entitled *Economic Development Annual Report*, dated March 19, 2018 be received.

KEY FACTS:

The following are key points for consideration with respect to this report:

- Council approved the Economic Development strategy in 2009
- The purpose of this document is to provide Council with an update on 2017 economic activity, competitive positioning, and departmental initiatives
- This report and presentation are provided to Council for information

BACKGROUND:

In 2009, Council approved the Town's Economic Development Strategy, a comprehensive 10-year plan developed in consultation with the town's business community and Council. The deliverables in the strategy include annual reporting to Council.

COMMENT/OPTIONS:

2017 was a year of investment in Oakville's economy. This is evidenced by industrial and commercial development activity, plant and office expansions, as well as new company arrivals.

BUSINESS GROWTH

The Town of Oakville's Economic Development Strategy identifies four key sectors as priority targets for business investment: professional and financial services; digital media, and information and communications technology (ICT); life sciences; and advanced manufacturing. New company arrivals and existing company growth occurred in each of Oakville's key sectors in 2017.

Major Sector Investment Activity

Sector	Company	Investment
Professional and Financial Services	Loraxian	New company
	PCL Constructors Canada Inc.	New company
	ROMCO Corporation	New company
Digital Media and ICT	Geotab	Job increase
	Indelligent Inc.	Job increase
	Omnitracs, LLC	Job increase, square-footage expansion
	VL Virtual Logistics Inc. VL Omni	New company
Life Sciences	Jazz Pharmaceuticals	New company
	Taiho Pharmaceutical	New company
	Takeda Canada Inc.	Job increase
Advanced Manufacturing	Ford Motor Company of Canada	Facility alterations and improvements

Oakville welcomed several new companies in 2017. Loraxian opened its new global renewable energy headquarters in March with more than 50 senior-level specialized jobs. PCL Constructors Canada Inc. moved into its new office location in December, bringing more than 500 jobs to the professional services sector. The company invested six million dollars in developing a new home for its Toronto district office that is sustainable, modern, and focused on collaboration and technology.

Oakville companies Geotab and Indelligent gained recognition as two of the fastest-growing companies in North America by Canadian Business Magazine. Both added several new jobs to their rapidly expanding businesses in the digital media and ICT sector.

Life sciences continues to thrive in Oakville with significant investment in Winston Park East in 2017. Takeda Canada moved to a new, state-of-the-art office space on Bristol Circle, positioning the company for future growth. Oakville also welcomed two new pharmaceutical companies to office space on Winston Park Drive: Taiho Pharmaceutical and Jazz Pharmaceuticals.

Advanced manufacturing continues to remain strong with Ford Motor Company of Canada, the community’s largest employer. In 2017 Ford invested more than eight million dollars in facility improvements. Ford also selected Oakville as one of the company’s new Connectivity and Innovation Centres, focusing on increased sustainability and fuel efficiency research capacity.

Growing Forward 2 Program recipients

In addition to key sector growth, two Oakville companies in the food and beverage industry expanded operations as a result of funding from the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA):

- Reunion Island Coffee Ltd. received \$100,000 to purchase and install new packaging equipment to increase labour productivity and efficiency.
- Florence Meat Supplies Ltd. received \$75,000 to purchase production equipment and complete facility upgrades to help segregate high-risk, ready-to-eat production.

REAL ESTATE MARKET OVERVIEW

The Economic Development department monitors Oakville real estate inventory. An adequate supply of shovel-ready land and available buildings ensures continued opportunity for business investment and expansion.

Office Market: *Appendix A - Figure 1.1*

2017 was a record-breaking year for office absorption, totaling more than 186,000 sq. ft. and representing the highest positive absorption for a single year since 2008.

Office market inventory reached a total of four million sq. ft. in 2017, an increase from 3.8 million sq. ft. in 2016.

At 22.2%, Oakville's office vacancy rate remains comparably higher than surrounding municipalities. Despite an overall increase in office market inventory, the vacancy rate decreased from 25.6% in 2016, signaling continued demand for office product.

Industrial Market: *Appendix A - Figure 1.2*

Industrial inventory remained constant at 18.1 million sq. ft. in 2017, however availability decreased to 2.6% from 4.2% in 2016. Oakville's industrial availability is considerably lower than surrounding municipalities, and signals a gap in the non-residential market inventory.

Coworking Space

Two new private sector coworking spaces were brought to market in 2017: Alternaworks near Bronte GO Station and ACE Coworking in downtown Oakville. These flexible, innovative product offerings are designed for start-ups and entrepreneurs, and address a demand for small office inventory in Oakville.

DEVELOPMENT ACTIVITY

Non-residential Assessment Growth

Non-residential assessment growth totaled \$6.44 million in 2017.

The non-residential tax base represents 13.6% of the total assessment base in Oakville and contributes 18.6% of total taxes levied. In 2017, this amounted to \$33.6 million.

Construction Updates

The first of Fengate’s Oak West Corporate Centre properties on Michigan Drive in Great Lakes Business Park officially opened in 2017. Of the more than 40,000 sq. ft. of modern flex office constructed, 90% was leased as of Q4 of 2017. The second Michigan Drive flex office building is currently 50% pre-leased and will begin development in 2018.

Construction is underway for several major projects scheduled to reach completion in 2018. Melrose Investments started construction on a new state-of-the-art 100,000 sq. ft. industrial building on South Service Road near Burloak Drive. This development will bring much-needed prestige industrial product to market in 2018, addressing the aforementioned gap in industrial real estate availability.

Construction of two company-led developments commenced in 2017: Aviva Canada’s two-storey offices on North Service Road East, and the Metrolinx operations centre on Cornwall Road. Both developments are on track for completion and occupancy in 2018.

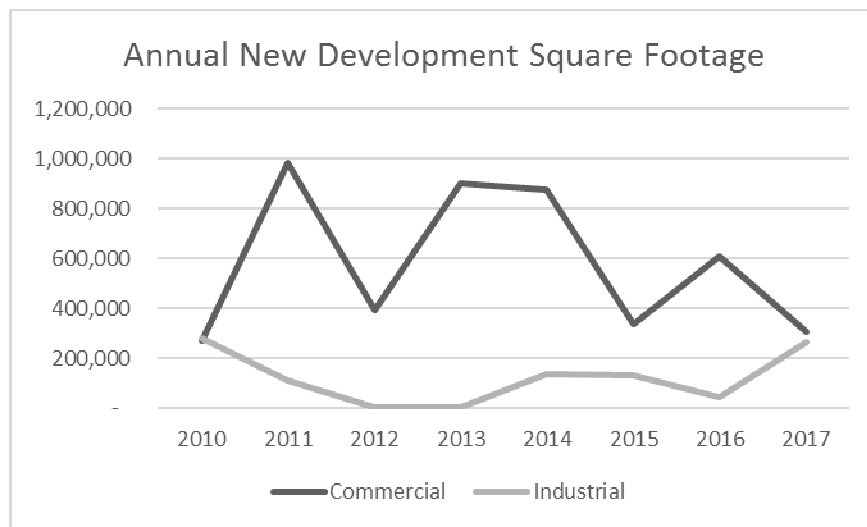
A groundbreaking for the IQ Centre development on Iroquois Shore Road took place in December of 2017. Construction of a two-storey office building will begin on this site in 2018; the first of three phases of development.

BUILDING PERMIT ACTIVITY

Appendix A - Figures 2.1, 2.2

Industrial Commercial Institutional (ICI) Building Permit Activity

Construction value (\$ millions)	Area (sq. ft.)	# of permits
286.7	2.4 M	378



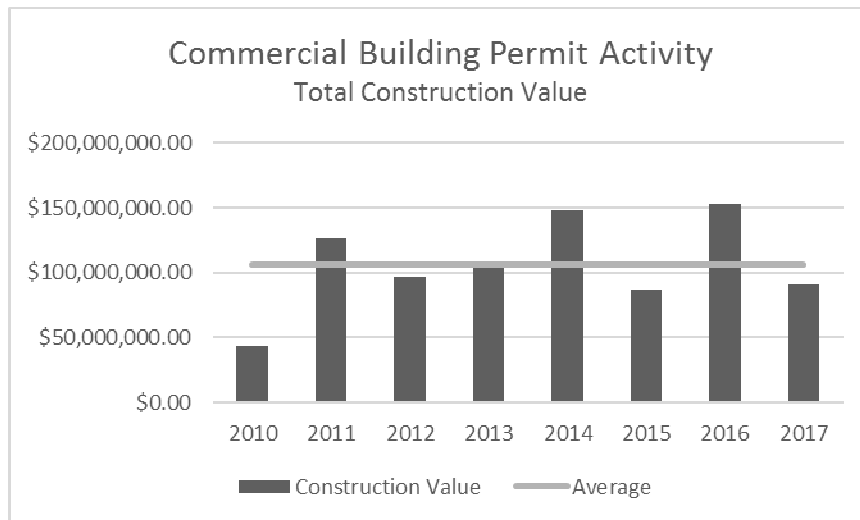
New commercial development in Oakville has historically followed a cyclical pattern of peaks and valleys, alternating between construction and absorption. In 2017, Oakville moved into a valley period, reflected in the highest office absorption since 2008 at 186,000 sq. ft.

New industrial building permit activity reached 263,031 square-feet in 2017, the highest amount of new development since 2010.

Commercial Building Permit Activity

Commercial building permit activity decreased in 2017 as 2016 construction projects reached completion and office absorption increased. Permit activity reflected facility improvements to existing buildings and tenant fit-outs to accommodate new company arrivals.

Construction Value (\$)	Area (sq. ft.)	Number of Permits
90.7 M	1.6 M	266



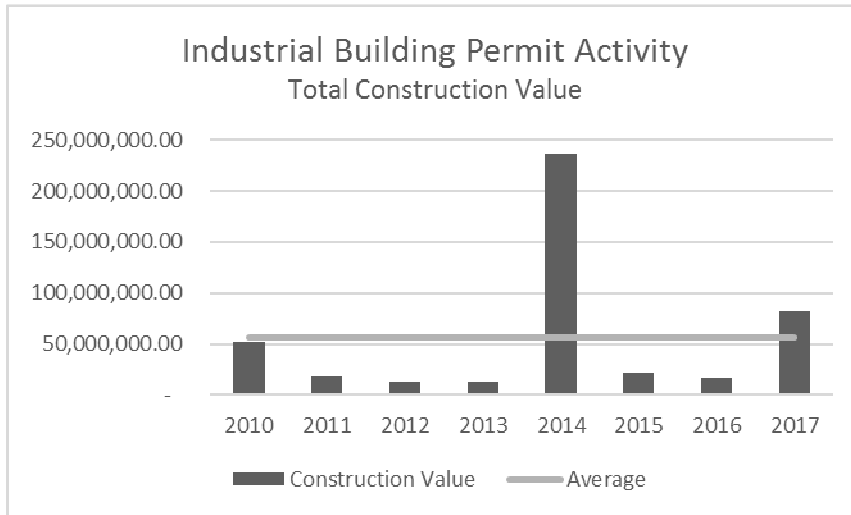
Total commercial construction value for new developments and additions totaled \$39 million in 2017, accounting for 43.73% of total commercial construction.

The most significant permit activity was in facility alterations and improvements, totaling \$51 million. Oakville businesses invested in capital improvements to existing facilities in 2017, with major employers like Ford Motor Company of Canada allocating resources to its operations in Oakville.

Industrial Building Permit Activity

2017 was a record year for industrial building permit activity in Oakville. Industrial construction value totaled more than \$82 million; the highest since 2014 and well above the 8-year average of \$56.7 million.

Construction Value (\$)	Area (sq. ft.)	Number of Permits
82.0 M	354,584 sq. ft.	39



The most significant industrial activity was in new developments and additions. New/addition construction value totaled more than \$76 million, representing approximately 93% of industrial permit activity.

An increase in new industrial development in Oakville is important in addressing the market demand for industrial real estate inventory.

Major Non-residential Building Permit Activity

Construction value for the top ten non-residential building permits totaled \$185 million in 2017, an increase from \$183 million in 2016.

New construction by Metrolinx and Aviva Canada are underway to move operations to Oakville. Carttera Private Equities began construction on approximately 90,000 sq. ft. of speculative flex office space, and Melrose Investments commenced approximately 100,000 sq. ft. of prestige industrial development.

Significant investment also occurred in service-related industries, including the development of a new Viva Oakville retirement residence, enhancements to Sheridan College and Appleby College, and recreation facility improvements.

Major Non-residential Building Permits: Highest Construction Value

Address	Type	Area (sq. ft.)	Construction Value (\$ millions)	Description
155 Cornwall Road	Industrial	39,687	42.0	Metrolinx operations centre
1 Sixteen Mile Drive	Institutional	160,074	30.4	Viva Oakville retirement residence
133 Rebecca Street	Institutional	22,728	25.0	Trafalgar Park revitalization
540 Lakeshore Road West	Institutional	78,899	24.0	New athletics facility at Appleby College
1415 Joshuas Creek Drive	Commercial	89,766	12.5	Carttera flex office building
1430 Trafalgar Road	Institutional	15,000	11.9	Sheridan College upgrades
3282 South Service Road West	Industrial	100,904	11.3	Melrose prestige industrial
1437 Dundas Street East	Industrial	3,714	10.8	Halton Region wastewater pumping station
227 Wyecroft Road	Commercial	22,647	9.0	Budds Jaguar Land Rover expansion
240 Leighland Avenue	Commercial	131,320	8.0	Oakville Place parking structure reconstruction

COMPETITIVE POSITION

The recent Amazon HQ2 site selection search demonstrates the need for municipalities to remain competitive for investment attraction. The Economic Development department monitors several variables to understand Oakville’s competitive advantage within the local, provincial, and national landscape.

Oakville’s property tax rates, development charges, and industrial land sale values are benchmarked against surrounding GTA municipalities to monitor competitive positioning for investment attraction.

The rankings below indicate that Oakville remains well-positioned for commercial and industrial development.

Property Tax Rates: Appendix A - Figure 3.1

Halton municipalities reduced industrial and office/non-retail property tax rates in 2017. Of the GTA municipalities reviewed, Oakville ranked 12th out of 18 for industrial property tax rates, with lower rates than Durham Region municipalities. Oakville office/non-retail ranked 6th out of 18 for property tax rates, with lower rates than both Durham and Peel Region municipalities.

Development Charges: Appendix A - Figure 3.2

In 2017, Oakville development charges decreased by \$0.89 per sq. ft., however they remain the highest in Halton Region and are most comparable to the rates of Mississauga and Markham.

Of all GTA municipalities reviewed, Oakville ranked 12th out of 18 for industrial development charges, with lower rates than York Region municipalities. Oakville also ranked 10th out of 18 for office/non-retail rates, with lower development charges than Peel Region municipalities.

Industrial Land Sale Values: Appendix A - Figure 3.3

Oakville industrial land sale values averaged \$900,000 per acre in 2017, comparable to land values in Milton and Caledon. Oakville ranks 9th out of 17 municipalities for highest price per acre, less costly than average land values in Toronto and Peel Region.

Community Recognition

In 2017, Oakville was recognized for business-friendliness and livability, two essential factors for investment attraction.

Business Friendliness – Small City: The *2017-18 American Cities of the Future* report published by FDi, a division of Financial Times Limited, recognized Oakville as one of the best places in Canada to start or grow a business. Oakville ranked fifth for business friendliness in the small city category due to its thriving knowledge economy; prime location with quick access to regional, national and international markets; competitive tax rates; and highly skilled, educated workforce.

Canada's Best Places to Live 2017: Moneysense magazine's annual *Canada's Best Places to Live* guide ranked Oakville as the *#1 Best Place to Raise Kids* and the *#4 Best Place to Live* in Ontario. Moneysense ranks Canadian municipalities based on several factors, including local economic indicators, income levels, tax rates, and community safety.

2016 Census Data

Source: Statistics Canada, Census Profile, 2016 Census, Oakville, Town [Census subdivision]

Statistics Canada released 2016 Census Data in phases throughout 2017. Data summarized below provides a profile of Oakville's demographics and labour force, as well as commuting patterns.

Demographic Profile

Total population	Average age	Post-secondary attainment (population aged 25 to 64)	Average household income (2015)
193,832	39.7 years	79%	\$169,786
Major field of study (top 3)		Knowledge of Languages	
1. Business, management, and public administration 2. Architecture, engineering, and related technologies 3. Social and behavioural sciences, and law		<ul style="list-style-type: none"> • Mandarin • Spanish • Arabic • Italian • Urdu 	<ul style="list-style-type: none"> • Portuguese • Polish • Hindi • Punjabi • German

Labour Force

(Population aged 15 years and over by labour force status – 25% sample data)

Participation rate	Employment rate	Unemployment rate
68.2%	63.5%	6.9%

Commuting Patterns

(Employed labour force aged 15 years and older – 25% sample data)

Job Location

Oakville	Halton Region municipality (outside Oakville)	Outside Halton Region	Different province/territory
36%	8%	55%	<1%

Mode of transportation

Driver	Passenger	Public transit	Walk	Bike/other
72%	5%	17%	3%	<1%

Oakville’s population is highly-educated, specialized, and diverse. The community’s labour force provides an excellence resource for new company investment and existing company expansion.

Commuting patterns identified in the census reveal that 55% of the Oakville labour force travel to jobs outside of Halton Region. Continued growth in key sectors will create high-quality job growth to match the skills and specialization of Oakville’s labour force.

2017 DEPARTMENT INITIATIVES

Investment Attraction

Invest Oakville website: Oakville's economic development website launched in January 2017. The new site was awarded the *Gold Excellence in Economic Development Award* by the International Economic Development Council's (IEDC).

Marketing Plan: A marketing plan was developed and implemented to align initiatives with department goals and grow digital audiences. Tactics included updated photography, Perspective - Oakville Globe & Mail publication, and the development of an investment attraction video. (Digital marketing analytics attached - *Appendix B: 2017 Digital Marketing Analytics Summary*)

International Business: The department hosted two international business events: Chinese Newcomers event and Doing Business with China Forum. Delegations were also received from three cities in China: Futian District in Shenzhen, Pengzhou District in Chengdu, and Yichang, with a Memorandum of Understanding signed with the Districts of Pengzhou and Futian.

Canadian Open – Industrial-Commercial Realtor Day: Economic development staff hosted an information event for industrial-commercial realtors from Halton and GTA West market. A cross-departmental panel of Town staff provided development information and town updates.

Toronto Global: Oakville continued work with Toronto Global through Halton Region on lead servicing for foreign direct investment in 2017. Together with Halton Region, Oakville submitted a site for Toronto Global's bid for Amazon's second headquarters. The Toronto Global bid submission has since been shortlisted by Amazon.

Business Retention & Expansion

Downtown Mitigation Plan: A detailed mitigation plan was developed for the Lakeshore Road Streetscape Project in consultation with the Business Improvement Area and various town departments.

Brownfield Redevelopment Strategy & Community Improvement Plan: Council endorsed three recommended incentive programs to be used for the preparation of the Community Improvement Plan, expected to be completed in 2018.

Ontario Auto Mayors: Staff organized an Ontario Auto Mayors meeting featuring a panel of NAFTA experts to inform mayors and stakeholders from across the province.

Innovation Hub (former Post Office): Council approved the staff recommendation to continue to explore partnership opportunities for the former post office site to be used as innovation space.

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Corporate Calling: Staff continue to build relationships with local companies to provide information and assistance through the department's corporate calling program.

CORPORATE INITIATIVES

Staff participated in various cross-departmental projects in 2017, including:

- Glen Abbey Land Use Economic Impact Study and Cultural Heritage Landscape Strategy
- *Retail Business Holidays Act* exemption for Kerr Village
- Canadian Open Coordinating Committee and hospitality tent
- One-window process for filming in Oakville
- Liaison with Downtown, Bronte Village and Kerr Village Business Improvement Areas
- Employment and Commercial Land Review

2018 PRIORITIES

In addition to regular initiatives in support of investment attraction, and business retention and expansion work, the following will be undertaken:

- Five-year Economic Development Strategy and service delivery review
- Innovation Hub implementation, contingent on Fed Dev funding
- Completion of Brownfields Community Improvement Plan
- Canadian Open Coordinating Committee and hospitality tent
- Digital marketing initiatives
- Ontario Auto Mayors meetings
- Explore implementation of Municipal Accommodation Tax to support tourism
- Bronte Banquet and Convention Centre Analysis
- One-window process for filming in Oakville

CONSIDERATIONS:

(A) PUBLIC
N/A

(B) FINANCIAL
There are no financial implications as this report provides an information update to Council.

(C) IMPACT ON OTHER DEPARTMENTS & USERS
There is no impact on other departments and users.

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(D) CORPORATE AND/OR DEPARTMENT STRATEGIC GOALS

This report addresses the corporate strategic goal to:

- enhance our economic environment
- provide outstanding service to our residents and businesses
- be accountable in everything we do

(E) COMMUNITY SUSTAINABILITY

This report provides an update regarding the economic activity in Oakville and town initiatives that support economic sustainability.

APPENDICES:

Appendix A - Supporting Data

Appendix B - Digital Marketing Analytics Summary

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