

Economic Sustainability

Regional Sustainability Strategy Policy Options Series | Fall 2010

Residents of the CRD have historically enjoyed a high standard of living. Government, tourism, health and education sectors continue to underpin the economy and knowledge-based businesses are creating exciting new opportunities. Looking to the future, how do we ensure the continuing health of the economy? Will more diversification and advanced manufacturing reduce reliance on publicly-funded services? What can the CRD and municipalities do to set the stage for long-term business competitiveness and grow the “green economy”?

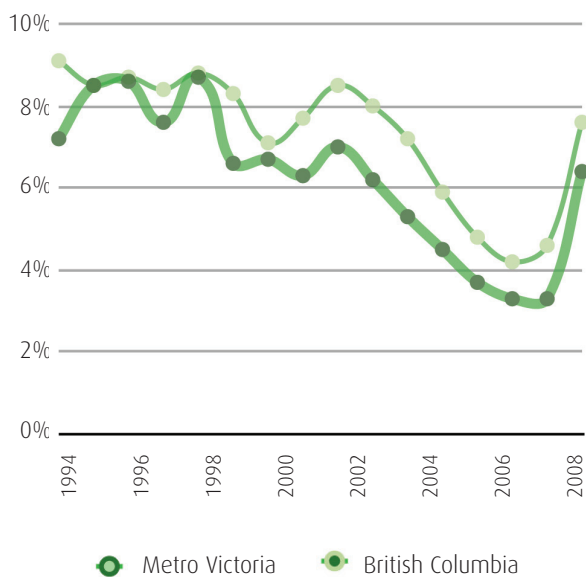
This is one of nine papers that aims to challenge our thinking about being a sustainable region. The paper considers the factors that affect economic sustainability and presents a set of policy directions. The recommended policy framework is selected from three bundles of policies and actions – the status quo, moderate change and significant change.

Your feedback is welcome.

A Regional Context

Unemployment. The 2009 unemployment rate for Metro Victoria increased to 6.4% from 3.3% in the previous year — the highest rate since 2000. As shown in Figure 1, compared to the provincial average of 7.6%, Metro Victoria continues to have a relatively low unemployment rate.

Figure 1: Unemployment Rate



Source: BC Stats

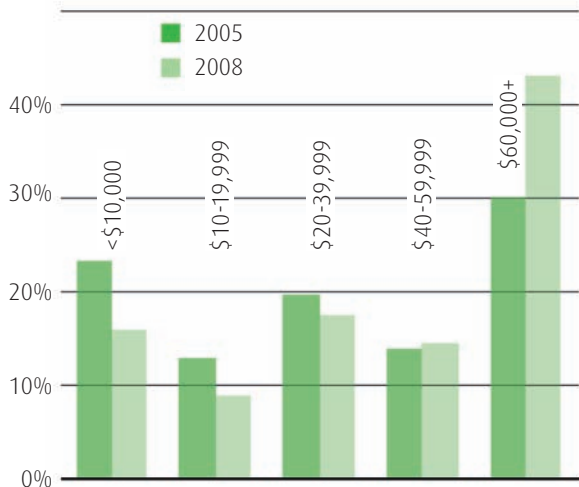


Economic sustainability is “the production and distribution of wealth to meet the needs of present and future generations for goods and services in ways that ensure the long term promotion of a satisfying and high quality of life for all residents.”

CRD Regional Growth Strategy, 2003

Income. The percentage of families with incomes under \$40,000 decreased from 56% in 2005 to 47% in 2008, while the percentage of families earning more than \$60,000 increased from 30% to 43% of families. Middle income families earning between \$40-\$60,000 remained generally stable.

Figure 2: Income Distribution for Economic Families, 2005 & 2008



Source: Statistics Canada, Survey of Labour and Income Dynamics

Economy. The region's economy benefits from its diversity of sectors. Between 2001 and 2006, there was a notable change for some of the larger sectors of employment, including a 39% drop in construction-related employment compared to substantial increases in the finance/real estate, high technology and tourism sectors. In total, employment in the region increased by 11% during this period.

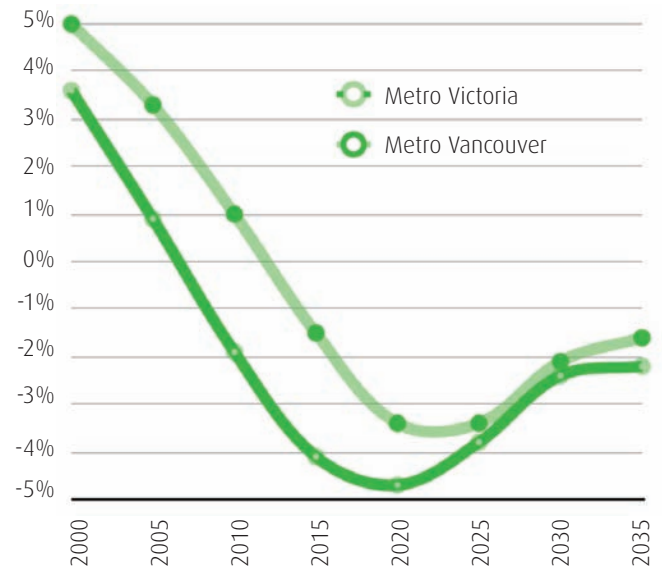
Figure 3: Sector Employment (Selected), 2001-2006

Sector	2001	2006	Change
Agriculture & Food	2,215	2,590	17%
Construction	3,180	1,930	-39%
General Manufacturing	4,440	4,425	-0.3%
Tourism (estimate)	9,539	10,905	14%
High-Tech (estimate)	7,200	8,315	15%
Finance, Insurance & Real Estate	13,265	15,925	20%
Retail & Wholesale Trade	22,130	24,515	11%
Health Care & Social Assistance	19,995	20,970	5%
Public Administration	23,520	23,525	0.02%
Education	11,865	12,790	8%

Source: Regional Economic Analysis: Vancouver Island and Central Sunshine Coasts – Final Report

Labour Market Entrants and Departures. Greater Victoria currently has a larger share of people approaching retirement (age 55- 64) than entering the labour market (age 15-24). This gap is projected to increase, suggesting that the regional labour force will shrink over the next decade. In BC as a whole, shortages in key industries and occupations are likely to become more severe without significant changes in migration or the participation of older workers in the labour force.

Figure 4: Net Percentage Gap, Labour Entrants (age 15-24) and Labour Departures (age 55-64)



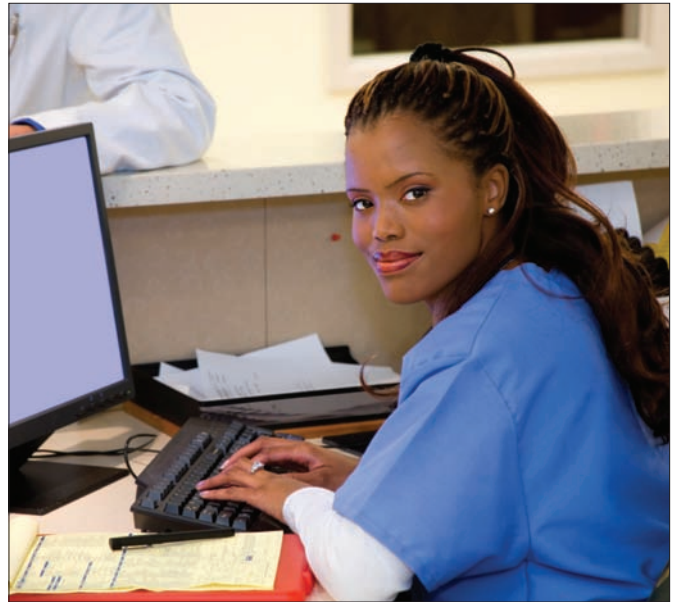
Source: BC Stats Population Estimates (for 2000, 2005) and Projections (2010 to 2035). Courtesy GVDA.



What's Been Driving Government Involvement in the Economy?

A number of factors press decision makers to improve the region's desirability for skilled workers and also to create a welcoming business environment in line with our region's social, environmental and economic sustainability objectives.

- The CRD faces stiff competition from other West Coast cities and jurisdictions in attracting and retaining young, highly skilled workers. Our future economic sustainability depends on a highly skilled workforce, particularly as the baby-boom generation moves into retirement.
- Regional businesses also need reliable transportation infrastructure, fair taxation, and top-of-the-line digital infrastructure to remain competitive.
- Unique provincial government initiatives can improve opportunities for regional businesses, be they start-up or maturing businesses:
 - BC-Washington State agreement to improve cross-border travel;
 - The Asia Pacific Gateway initiative focuses on diversifying BC's economic ties with China, India, Japan, Korea and Southeast Asia;
 - The BC Renaissance Capital Fund attracts venture capital to develop promising, innovative technology companies in information technology, digital media, life sciences and clean technology; and
 - Tax incentives are available for film production, apprenticeship, digital media, scientific research and others.
- BC is well-positioned to be an export hub that can benefit from the "green revolution."
- A key driver impacting many sectors is the need to mitigate shortages in water, fossil fuel energy sources and other key resources.



Example: Green Investment

The Patient Care Centre at the Royal Jubilee Hospital will be the first Pacific Green hospital in Canada. It is a public-private partnership forged to support sustainability through the efficient use of energy, water conservation and selective building materials. It also addresses the health outcomes of patients and health care providers through the use of green space, natural light, natural ventilation and alternative transportation.

Taking Steps Regionally

There have been significant steps in the past 10 years to coordinate efforts and approaches to regional and economic development planning. As part of the development of the Regional Growth Strategy, the CRD participated with a cross-section of business and community interests, member municipalities, the province and the federal government in establishing a regional economic development partnership. This was to oversee the preparation and maintenance of a strategy and coordinate programs and initiatives towards its implementation. The strategy was to identify opportunities to diversify and strengthen the regional economy, increase wealth and prosperity, and reduce poverty in the region.

2002 to 2008 | UVic, Royal Roads University and Camosun College continue to increase the number of graduates each year. In 2002, there were 4,004 undergraduate, graduate, certificates and diplomas awarded. By 2008, this figure had almost doubled to 7,960.

2003 | The Economic Development Opportunities Blueprint is prepared as a technical report to provide a framework for economic development in the region. The Blueprint document faced difficulties in achieving multi-jurisdictional support.

2006 | Following a municipal review of the Blueprint report, the CRD Board resolves to shift attention from a regional economic strategy to the development of a regional economic sustainability policy.

2007 | The Greater Victoria Chamber of Commerce forms the Greater Victoria Development Agency (GVDA), an industry-led consortium representing all sectors in the region. Its purpose is to facilitate and promote the development of a strong economic base and to ensure that Greater Victoria remains a vibrant place to live and work.

2007 or earlier | The Capital Region becomes home to numerous sustainable development companies and construction projects.

2009 | Victoria is ranked as best city in Canada for young professionals to live and work according to a "Next Cities" report.



Key Factors & Opportunities

- Availability of appropriately zoned land to support a variety of economic activities;
- Controlling costs of doing business (land costs, transportation costs, taxes, etc.);
- Adequate transportation infrastructure;
- Need for business friendly attitudes;
- Need to keep Victoria clean and green, to address safety issues, and to maintain overall quality of life;
- Need to address affordable housing and social problems (e.g., panhandling, drug trafficking);
- Need to improve inter-jurisdictional cooperation;
- Streamlined bureaucratic business requirements; and,
- Support for initiatives to ensure a properly trained workforce.

Source: Greater Victoria Economic Development Opportunities Blueprint: Technical Report, 2003.

What's Happening Elsewhere?

In an effort to become sustainable, various regions across the world are now focused on ways to foster diversity and transition to a green economy. The following sample of practices from elsewhere look at examples of business clustering, innovation and partnership initiatives. How can we learn from these approaches?

Green Economy

Countries and regions that have adopted aggressive greenhouse gas (GHG) emission reduction targets and policies that encourage investment in green products and services now lead the global green economy. For example:

- **Denmark** currently ranks first in the world for green technology development and job creation with effective sustainable development policies.
- The **United Kingdom**, through its national development strategy (UK Low Carbon Transition Plan), has set up a road map to increase green projects and create jobs in manufacturing, construction and business sectors.
- **Ontario** has recently passed the *Green Energy and Green Economy Act* putting the province at the forefront of all jurisdictions in North America in promoting renewable energy and reducing GHG emissions.

Green Enterprise Zone | Clinton County, Ohio, USA

The Wilmington Green Enterprise Zone was developed as a way to spur local investment through financial incentives and capacity building. It promotes research and development, manufacturing, construction and retail as well as services that have a direct positive impact on increasing energy and material efficiency. Examples include incentives for retrofits and green collar job retraining; an inventory of local green economy assets; and efforts to attract green businesses.

Energy Economic Zone Pilot | Sarasota County, Florida, USA

In 2009, Sarasota County was designated an Energy Economic Zone Pilot Program Community to address economic development and energy efficient land use patterns. The County chose an undeveloped 1,000-acre area as an energy economic zone where clean technology and green jobs are being created alongside a mixed land use design, promoting a balance of jobs to housing. This pilot includes development of a Landfill Gas to Energy project to generate up to 3 MW of electricity. There are plans to establish an R&D facility to advance alternative source energy.

State and Education | Kansas, USA

The Department of Commerce routinely works with state educational institutions to develop business-related training. These programs are customized to meet an employer's specific needs. Kansas' universities and colleges help businesses analyze jobs; design, develop and evaluate training; screen potential employees; assess employee skills; and recruit qualified employees. The Department offers training programs and businesses can apply for financial assistance to offset training costs.

Special Economic Zone | India

With a view to attract larger foreign investments in India, the Special Economic Zones (SEZ) policy was developed in 2000 to make SEZs an engine for economic growth and supported by quality infrastructure, an attractive fiscal package the minimum possible regulations. The policy has triggered foreign and domestic investment in SEZs and in infrastructure and productive capacity, leading to new economic activity and employment opportunities.

Alberta Value Added Corporation (AVAC) | Alberta

In partnership with investors and sponsors, AVAC plays a critical role as the experienced investor in early-stage companies. It contributes leadership to enhance the R&D capacity of the Agribusiness sector and assists with the commercialization of value-added products and services in agriculture. Initially seeded with \$35 million from the Alberta government and \$10 million from Agriculture and Agri-food Canada, AVAC has since grown its investment funds significantly.

Setting the Policy Options Framework

A sustainable economy is one that exhibits diverse and viable economic opportunities and is resilient and responsive to changing circumstances, while also supporting the achievement of environmental and social sustainability.

This paper initiates a conversation about local government roles and responsibilities in relation to an effective development and business regulatory framework. The policy options on the following pages set out three approaches to accomplish this, followed by a recommended direction. Having a clear and stable policy framework will allow regional decision makers to capitalize on the unique strengths in the region and provide investors with the certainty they need to make investment in key sectors essential for green economic prosperity.

Policy Options: Where Are We Now?

The 2003 Regional Growth Strategy (RGS) presents several policy directions and targets that aim to enhance regional economic sustainability. The Status Quo reflects the policies and actions in the RGS that were designed to strengthen the regional economy.

Goal	Status Quo
<p>Support employment growth in the metropolitan core and major centres.</p>	<p>Maintain and enhance the metropolitan core as the economic heart of the region to ensure that the City of Victoria achieves a minimum of 20% of the region's employment growth to 2026.</p> <p>Enhance job creation in the urban Western Communities to achieve a minimum jobs-to-population ration of 0.35 by 2026.</p>
<p>Foster an attractive and stable investment climate.</p>	<p>Find ways to reduce unemployment in the CRD and attract, develop and retain a highly skilled workforce.</p> <p>Include high value, clean industry and business in the metropolitan core and major centres.</p>
<p>Support renewable resource dependent economies.</p>	<p>Address shortage of designated space-extensive industrial and business land in the region. Ensure locations are consistent with goals for a complete community, balanced transportation, and a network of major centres within the urban containment boundary.</p> <p>Expand and diversify the economy of formerly resource-dependent communities in Sooke EA, Juan de Fuca EA and the region as a whole.</p> <p>Ensure long term, affordable supply of strategic economic resources, such as water, aggregate and energy.</p> <p>Increase economic activity in forestry and agriculture, including specialized agriculture and value-added forestry.</p>
<p>Support efforts to incorporate commercial/industrial employment sectors into urban fabric.</p>	<p>Co-locate housing, employment, services and recreation within a 10-minute walk of an existing commercial/employment centre.</p> <p>Build on existing opportunities to grow and diversify the increasing wealth and prosperity in the region.</p>

Policy Options: Where Could We Go?

To further realize the region’s goals for economic sustainability and prosperity, the CRD alongside its member municipalities, partner agencies and businesses, can work together to explore new opportunities to strengthen and diversify the regional economy.

Moderate Change	Significant Change
<p>Support Regional Context policy statements that facilitate economic development in the metropolitan core, major centres and frequent transit corridors.</p> <p>Maintain a minimum jobs-to-population ratio of 0.35 for the metropolitan core and major centres.</p> <p>Adopt development patterns that support the diverse regional economy and employment close to where people live.</p> <p>Promote live/work opportunities through appropriate planning policy and mixed use zoning.</p>	<p>Identify and define two new metropolitan areas distinct from other urban centres by scale and rapid transit connection: the Uptown-Downtown Corridor and the West Shore urban centres.</p> <p>Support Regional Context policy statements to achieve a jobs-to-population ratio of 0.6 in the metropolitan core and major centres over time.</p> <p>Discourage high employment-generating commercial and institutional development outside the metropolitan core, major centres and transit corridors.</p> <p>Identify incentives to support transit oriented development, particularly in the metropolitan core, major centres and transit corridors.</p>
<p>Adopt more predictable, efficient and transparent land use decision-making.</p> <p>Invest in urban infrastructure and accessibility to support economic functions and efficient employment patterns.</p> <p>Encourage the development of training/retraining programs with academic/trade institutions that align education to industry needs and employment demand. Recognize needs and desires of seniors to remain in the workforce through job accommodation.</p>	<p>Develop and maintain high-tech facilities and institutions at the forefront of emerging technologies (with dedicated office space in the metropolitan core and major centres).</p> <p>Identify and remove regulatory barriers (designated uses and otherwise) for clean energy and green business within the metropolitan core and major centres.</p> <p>Invest in capital infrastructure that supports clean energy and the high-tech sectors.</p>
<p>Demonstrate long term protection of resource land base for renewable resources, and expand acceptable uses for lands surrounding the metropolitan core and major centres.</p> <p>Reclaim areas impacted by resource uses through eco-tourism and adventure tourism opportunities.</p> <p>Partner with regional stakeholders to actively promote value-added industry in the region including local food production and tourism.</p>	<p>Provide incentives to industries that align their business with sustainability principles.</p> <p>Promote programs and resources for value-added industries and provide flexible, appropriate land and infrastructure to support value-added industry.</p> <p>Invest in capital infrastructure that would support resource recovery sectors.</p>
<p>Promote awareness of modern industrial uses, such as high-tech manufacturing, that are currently restricted to industrial areas, but have potential to be incorporated into the metropolitan core and major centres.</p> <p>Encourage complementary development adjacent to regionally significant economic activities or enterprise zones (e.g., harbours, airports, hospitals) and support with complementary land use and employment policy.</p> <p>Collaborate with the Cowichan Valley Regional District on shared economic matters.</p>	<p>Designate and define enterprise zones to attract incubator businesses, commercial and other employment spaces that allow people to live and work nearby.</p> <p>Adopt incentive zoning and remove barriers to mixed-use development within the metropolitan core, major centres and special enterprise zones.</p> <p>Adopt policies that designate enterprise zones to allow further business expansion of regionally significant economic activities (e.g., harbours, airports, hospitals) and identify supporting industries.</p> <p>Discourage non-industrial and non-commercial uses of DND, Harbour Authority and Airport lands by increasing accessibility and providing opportunities for residential development on adjacent lands.</p> <p>Update zoning and regulations to remove barriers to entry for new types of clean high-tech industry, energy and manufacturing sectors.</p>

**The Significant Change approach builds upon and enhances the options presented under Moderate Change. The effect is often cumulative, with policies under Moderate Change generally assumed to be included under Significant Change.*

What Do You Think?

To establish the right environment for business development and economic sustainability, many cities and regions are putting considerable resources into economic development initiatives. To compete with other jurisdictions, the CRD needs to have the right conditions in place. This will involve a stronger and more collaborative approach to economic development than that which is currently in place.

- Would you agree with the policy directions recommended in the moderate or significant policy options?
- What is needed to improve the functionality and accessibility of businesses in all sectors?
- How can we capitalize on the unique strengths of the region?
- What actions are involved with establishing the region as a leader in the green economy?

Notes:

Feedback

The CRD values your input in developing the Regional Sustainability Strategy. Please submit your comments on this policy paper via sustainability@crd.bc.ca.

For in-depth information, **visit www.crd.bc.ca/sustainability** to view notices on upcoming consultations, discussion papers, and the overall progress of the Regional Sustainability Strategy.

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Making a difference...together

Regional Sustainability Strategy

The CRD, together with member municipalities, stakeholder groups and residents, is working to developing a vision and a planning framework to promote sustainability and create a lasting legacy for future generations. This will lead to the CRD's first Regional Sustainability Strategy, a broadly ranging document that charts a course to a complete and inclusive community, committed to sustainable practices socially, environmentally, economically and financially.

The Strategy has its foundations in earlier commitments by the CRD Board and member municipalities through the Regional Growth Strategy, adopted in 2003.