

REPORT

Office of the Chief Administrative Officer Finance Department

To: Mayor Johnstone and Members of Council in Regular Meeting **Date:** April 24, 2023

From: Lisa Spitale, Chief Administrative Officer **File:** #2239520
Harji Varn, CFO/Director of Finance **Item #:** 2023-279

Subject: Economic Impact Model Scope of Work

RECOMMENDATION

THAT Council endorse the scope of work for an economic impact model and direct Staff to issue a Request for Proposals.

PURPOSE

To provide Council with a Scope of Work for the development of an economic impact model, specific to New Westminster, that can be used by multiple departments to quantify the economic impacts of a policy, program(s) or facility.

SUMMARY

During Council budget discussions in January/February 2023, Council requested that staff undertake an updated economic benefits analysis of Anvil Centre. Staff are recommending a broader approach and that a consultant be retained to develop a suitable economic impact model template for wider application. This would allow multiple departments to use the tool for a variety of policy or projects, which would help to inform current and future City initiatives and decision-making.

Staff are seeking Council's endorsement of a scope of work, which would seek proposals from qualified professionals for developing a model that would estimate the value of activity associated with a specific policy or project and highlighting its relative

importance to the local economy and associated community development aspects. Results generated are intended to be used as baseline information against which future economic evaluations could be measured and to help inform current and future City initiatives in the areas of arts and culture, parks and recreation, economic development and land use planning. The first application for this model would be an analysis of the current economic impact of Anvil Centre.

BACKGROUND

Previous economic impact analyses have been completed for projects on an as-needed basis. As an example, a study was commissioned in 2011 to inform the future Anvil Centre's program development prior to construction. The study identified and quantified the benefits that were anticipated to accrue from the construction and operations of Anvil Centre, including:

- Employment generation during planning, construction and after build-out;
- Food and beverage sector spending potential associated with new downtown employees (office and service sector), conference delegates and theatre patrons;
- Convenience and comparison retail spending potential associated with new employees, conference delegates and theatre visitors; and
- Role of building/facility as an 'activity precinct', and adding to the momentum of urban revitalization in downtown New Westminster.

An update was initiated in 2018 to the analysis, however due to extenuating circumstances with the consultant, the study was never completed. Prior to the COVID-19 pandemic, staff were anticipating re-initiating the update however it was paused due to re-prioritization of workplans.

DISCUSSION

The intention of this work is to develop an economic input-output model that is transferable, user-friendly and increases transparency around the economic impacts of city projects. By having a model that staff can adjust on a project-by-project basis, staff across departments can incorporate this type of information into future decision-making processes. Staff would be able to quantify the multiplier effects of a project's activities on the local economy, as well as social and community development impacts.

Economic Impact Models - Overview

Economic Impact Models assume that changes in expenditure can have ripple effects throughout an economy, and estimate the impact of such changes. The underlying assumption is that a decrease in expenditures result in economic contractions, while increased expenditures stimulate economic growth.

An economic impact model examines the effects of a project or proposed policy change on the economy. The scope can range from something impacting a local neighbourhood, to a policy that has broad economic impact on a larger scale.

The analysis can help understand potential impacts of a project or policy, such as the construction of a new residential development or civic facility, or changes to taxation policies (e.g. evaluating proposals from senior levels of government on tax reform). The study can also highlight the importance of a particular type of policy or project by using standard measures of economic activity including output, Gross Domestic Product (GDP), employment, wages and tax revenues.

It is important to note that there are both economic development and community development impacts resulting from projects or policy/regulatory changes. Economic Impact Models are one dimensional and exclude social, environmental and other intrinsic benefits that are difficult to measure. However, we know arts, culture, heritage and sport enrich our community in a diverse number of ways. There is a considerable amount of research that shows that they bolster social engagement, contribute to community development, positively impact academic achievement, and support good physical and mental health. How these benefits can be reflected alongside the estimated economic impact produced by the model will need to be explored with the successful proponent.

There are three types of economic impacts that the model would quantify – direct and indirect (i.e. multiplier) impacts:

- **Direct** – These measure the primary impacts, which are changes that occur as a direct consequence of the operations and activities of a project. These can include labour, materials, supplies and capital.
- **Indirect / supply-chain** - These can be categorized as a “second tier” effect, arising from changes in activity for suppliers of the project. They include the purchase of goods and services and the hire of workers by the suppliers of the project in order to meet demand.
- **Induced** - These measure the value of spending on goods and services that result from income generated as a result direct and indirect impacts. They include spending by the employees of the project on goods and services, like food, clothing, vehicles, etc.

Scope of Work

Staff have developed a draft scope of work, *Attachment 1* that would inform a Request for Proposals. The model would provide a basis to estimate the following,

1. Economic effects of the policy or project on the local economy (by neighbourhood and city-wide) by estimating the direct and indirect contribution to GDP/output and employment
2. Value of direct, indirect & induced benefits (e.g. consumer spending consumption and participation) on related activities, services, goods and equipment)
3. Value of tax revenue generated from the policy or project, if applicable

4. Other revenues to accrue to the City (business licenses, parking revenue, etc.), if applicable
5. Qualitative impacts the policy/project may have

The successful proponent would work with City staff to develop a model specific to New Westminster's context, and one that staff could easily adjust the inputs for in the future.

INTER-DEPARTMENTAL LIAISON

A multi-disciplinary team has provided input into this work and would continue to engage with the successful proponent during creation of the economic impact model.

FINANCIAL IMPLICATIONS

Subject to Council approval of the 2023 Operating Budget which includes a "one-time" service enhancement requests of \$25,000, staff will proceed to market to advance the work on the economic impact model.

OPTIONS

There are two options for consideration:

1. That Council endorse the scope of work for an economic impact model and direct Staff to issue a Request for Proposals.
2. That Council provide staff with other direction.

Staff recommends option 1.

ATTACHMENTS

Attachment 1: Draft Scope of Work

APPROVALS

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