



VANCOUVER
ECONOMIC COMMISSION

 CITY OF
VANCOUVER

100 RESILIENT CITIES

A nighttime photograph of a city skyline reflected in water. The central focus is the Telus World of Science building, a large geodesic dome illuminated with blue lights. Other modern high-rise buildings are visible in the background, their windows glowing with warm light. The water in the foreground shows clear reflections of the buildings and the dome's lights.

RESILIENT

FUTURE

ECONOMY

Identifying Economic
Risks and Opportunities

RESILIENT FUTURE ECONOMY

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On November 7, 2017, the Vancouver Economic Commission and City of Vancouver’s Resilience Team convened a group of private sector stakeholders to develop a collective vision for Vancouver’s future economy and identify the issues we must address in order to realize that vision.

OBJECTIVES OF THE DISCUSSION

- **Prioritize economic risks** to inform the direction of Vancouver’s [Resilient City Strategy](#)
- **Identify information gaps** for making informed decisions about the future of our economy
- **Uncover business leaders** that are interested in addressing economic resilience
- **Create market development opportunities** for resilience solution-providers

CONTEXT

According to the Conference Board of Canada, Vancouver has the fastest growing and most diverse economy in the country. As our tech, green, and digital entertainment sectors continue to boom and our entrepreneurial community continues to grow, the city is in a great position to capitalize on increased economic activity. Rapid economic growth comes with growing pains, however, and we need to meet this opportunity with diligent planning, project management, and programming to ensure our economy continues to develop in a manner that is resilient and that benefits the entire community.

The Vancouver Economic Commission and City of Vancouver are teaming up on three initiatives to ensure we are ready:

- A **Vancouver Economic Strategy**, to be released in March of 2018, putting forward a comprehensive vision for Vancouver’s economy
- A **Resilient City Strategy**, to be released in late 2018, outlining the key stresses and shocks we need to prepare for as a community
- A city-wide **Economy and Employment Lands Study**, to be released in 2019, to inform employment land policies and regulations

HERE ARE A FEW OF THE WAYS WE SEE OUR ECONOMY AND COMMUNITY CHANGING...

The Way We Do Business... will include businesses identifying and working toward a purpose that extends beyond profits.

The Way We Design the City... will include the integration of more deliberate innovation clusters and technology demonstration projects.

The Way We Build... will include using community data science to identify and respond to economic risks before they become crises.

The Way We Support People... will include healthcare and benefits packages that are flexible, easily accessible by all, and responsive to individual needs and the changing nature of work.

The Way We Regulate... will include flexible, responsive policies that are developed and tested through continuous regulatory R&D.

The Way We Work... will include working with and managing automated systems, vehicles, and robotics in flexible workplaces with increased career mobility and work hour flexibility.

The Way We Educate... will include constant reskilling of individuals at all ages to ensure they can keep pace with rapid technological changes.

The Way We Hire... will include proactive integration of immigrants and refugees, first nations, and women, all being paid equitable incomes.


The Way We Finance... will include more sophisticated partnerships with the private sector to deliver public infrastructure.

WE ASKED: If you were to create a short vision statement for the future of Vancouver's economy, what would it be?


35% sector leaders Vancouver is a leader in specific sectors, ie. green, industrial arts, manufacturing, cleantech, and innovation



35% inclusive + diverse Vancouver's economy is inclusive, fair, diverse, and community serving



25% policy leaders Vancouver is a world leading innovator in economic policy & employee services



"Vancouver leads technology development for clean air and soil"

"Vancouver is a top global advanced manufacturing and innovation centre"

"All Vancouver businesses are contributing to their surrounding communities in positive ways"

"Vancouver has the most compelling employee and employer offerings for the gig economy, solopreneurs, and micro-businesses"

WE ASKED: What is the biggest challenge your organization is likely to encounter in the next 15 years?



58% talent Difficulty finding, training, and retaining enough skilled employees to meet our growth potential

30% cost Finding and gaining access to affordable operating space and weathering the increased cost of doing business

20% adaptation Not being able to support workers in a changing employment landscape / maintaining relevance in a rapidly shifting economic landscape

2% infrastructure Aging infrastructure—increased demand for infrastructure combined with severe funding constraints

WE ASKED: What is your biggest personal fear for the future of Vancouver's economy?



40% affordability Fear that we will not be able to retain talent, families, and young people as a result of increased costs of living

20% displacement Fear of displacement of businesses due to increased cost of doing business, especially for small independent businesses

15% external forces Fear of external forces having negative impact on Vancouver's economy, including geopolitical risk and economic recession

15% cultural Fear of legacy thinking and cultural biases holding back the potential for a 21st century economy and excluding certain demographics from sharing in prosperity

WE ASKED: What is the biggest opportunity you see for Vancouver's economy in the next 20 years?

30% green Building upon our sustainability leadership



30% tech Innovation and integration in the technology sectors



20% design Building upon our leadership in urban design and city building



20% local Developing new economic models and definitions of prosperity



"Continued growth of renewable energy and smart city technologies and platforms"

"Integration of our energy, cleantech, information technology and building and infrastructure sectors"

"Turning our weaknesses into strengths by becoming a leader in affordable housing and transportation systems"

"Capitalizing on entirely new economic models and focusing on relocalizing supply chains"

ECONOMIC RESILIENCE MEANS...

ADDRESSING AFFORDABILITY ISSUES

INCREASE ACCESS TO AFFORDABLE INDUSTRIAL AND COMMERCIAL SPACE

More than 90% of Vancouver's businesses are small and mid-size businesses, employing more than 75% of the working population; yet, many of these business owners are concerned about the viability of their continued success in Vancouver as land values and lease rates climb. Several factors are contributing to industrial and commercial affordability issues, including:

- Landowners are expressing a preference to lease to franchises who are seen as less risky and more stable tenants
- Property tax increases are jumping up year after year along with assessed property values affecting both owners and tenants who are often on triple net leases
- A lack of Tenancy Acts and representative bodies for industrial and commercial tenants leaves these tenants to fend for themselves, meaning many landlords are passing any and all property improvements on to their lessees
- As businesses are being displaced from the city limits, operational costs go up. For instance, more time on the road to reach clients means service prices go up, traffic on the roads increases, and vehicle needs rise.

BC Business just put together a great article on this issue:

<https://www.bcbusiness.ca/How-Vancouvers-industrial-land-crunch-is-pushing-businesses-out-of-town>

ADDRESS COMPARATIVELY LOW WAGES

Vancouver is, in many ways, a global city, and while our land values reflect this reality, our wages tend to lag behind cities with comparable economic success. Reasons for this have been speculated. Some believe that because people are so attracted to living in Vancouver, they are willing to work for less money—referred to by some as a “paradise tax”. Others point out that the lack of large head offices in the region keep wages suppressed as there is less competition for talent from corporations with a higher ability to pay. There was general consensus among the group that more work needs to be done to better understand why our salaries are lower than in other cities. It was suggested this should be addressed at a regional level.

TACKLE THE HIGH COST OF LIVING

One of the most pervasive concerns around economic resilience has been the high cost of living in Vancouver. Employees and employers alike are expressing concerns over brain drain. In Vancouver's case, this means people staying until they are mid-career (in their 30s and 40s) then leaving to a community where housing is less expensive in order to raise a family or put down roots. Employers in less knowledge-based sectors, such as service sector businesses, and those in production, distribution, and repair, are finding it increasingly difficult to attract workers. The sentiment that “People aren't willing to Skytrain in an hour to downtown to be a barista, waitress, or delivery worker in Vancouver” represents the fear among employers that affordability issues will reach a tipping point at which they can no longer staff their organizations.

While cost of living often includes a number of factors, the conversation among Vancouver employers is focused on the cost of housing. It was mentioned that cost of living is closely linked to transportation infrastructure as better mobility options relate directly to housing affordability, allowing people to live further from the core where housing costs are rising most quickly.

KEY QUESTIONS

COMMERCIAL SPACE - What would be the scope of an organization representing commercial and industrial leasees, and where should it be housed? What are the financial tools that can help unlock investment in affordable commercial spaces? How can cleantech be protected and supported on the limited industrial land base in the city?

WAGES - What is suppressing wages in Vancouver? Why are wages comparatively lower than in other cities? What will drive wages up across the board and how do we prepare employers for this?

COST OF LIVING - How do we become global leaders in addressing real estate affordability issues? What types of solutions can we adapt from elsewhere and what types of made-in-Vancouver solutions can be developed locally?

ECONOMIC RESILIENCE MEANS... ADDRESSING SMALL TOWN THINKING

INCREASE REGIONAL COORDINATION

Across Canada, municipalities such as Toronto, Ottawa, and Kelowna have opted for amalgamation—combining the operations of smaller municipalities under a more central governing system. While there does not appear to be political appetite for that in the Metro Vancouver region, the private sector has identified a real need for regional coordination on land use, transportation, and economic development. Limitations to buildable land area are a major regional stressor in Metro Vancouver. Building up instead of out has been the region’s approach to accommodating more people and economic activity in the existing amount of land, but there is concern that Vancouver still revolves around one central core and that more nodes of centralized activity are needed to make the region sustainable as the population continues to grow.

AGREE ON A REGIONAL BRAND

For those deeply embedded in the Vancouver economy, it is easy to see the city as a global leader in innovative, creative and sustainable business. There is concern, however, that on the global stage, Vancouver’s identity revolves around tourism, lifestyle, and real estate. In other cases, perception and reality are misaligned—for instance, mining and forestry are seen as major drivers of Vancouver’s economy despite their decline. **Vancouver and surrounding municipalities need to define the regional economic drivers more clearly and promote those to the world.** This is critical for global relationship building.

Here are four of the top stats the VEC likes to use to tell Vancouver’s regional economic story:

- #1 Global Visual Effects and Animation Cluster (VEC)
- #3 Greenest City in the World (Siemens)
- #1 Startup Ecosystem in Canada (Startup Genome)
- #1 Best City for Asia Pacific Business (PWC)

“Currently, each municipality tends to fend for itself, developing its own economic vision and economic development initiatives, but on the global stage, Vancouver is one city.”

RECOGNIZE LIMITED NUMBER OF BIG PLAYERS

This year, the Vancouver Economic Commission submitted a [regional bid for Amazon HQ2](#). This move was seen as controversial—some question whether Vancouver should focus on attracting Fortune 500s, or on growing business here at home. While large employers that attract a global workforce can certainly disrupt communities if they are not sensitively integrated, many of Vancouver’s business leaders do not see attracting big global players and fostering growth of local startups as mutually exclusive. In fact, a lack of large corporations in Vancouver has been identified as a significant economic risk for the startup community and the region. HSBC is the only major bank headquartered here, and our lack of big players has created a limited investment ecosystem where venture capital can be difficult to access. Additionally, as homegrown businesses scale, they find it difficult to find qualified account managers and executive talent. Vancouver’s business brand and reputation as a global city relies to a large degree on the presence of global companies.

The VEC convened a group of business leaders this fall to discuss Anthony Lacavera’s new book—[How We Can Win](#)—which is a great resource for digging into the national policies and attitudes at the root of this issue.

KEY QUESTIONS

REGIONAL COORDINATION - In the absence of amalgamation, how do we coordinate regionally on infrastructure development, land use and economic development? What are the possible catalysts for better collaboration?

REGIONAL BRAND - What is Vancouver’s regional business brand? How do we bridge our legacy of focusing on natural resources with our emerging low-carbon, knowledge-based economy to ensure our business brand is consistent across Vancouver’s storytellers?

BIG PLAYERS - Where are we most lacking ‘big players’ that can feed our local startup community and who are the best prospects for filling them? Why are there fewer big players in Vancouver than in comparable global cities?

ECONOMIC RESILIENCE MEANS...

ADDRESSING THE RIGIDITY OF OUR INSTITUTIONS

BUILDING FLEXIBILITY AND RESPONSIVENESS IN INSTITUTIONS

In Vancouver, and in Canada more generally, public and private institutions hold a lot of authority through regulation and control a large number of assets, including infrastructure, buildings, vehicle fleets, and large workforces. As both regulators and assets owners, these institutions—which include transit authorities, health authorities, utilities, ports, municipal and regional governments, and airports, among others—have incredible sway over how we move, house, produce, and power our cities, citizens, and economies. As the pace of economic change accelerates, the rigidity of these institutions can greatly diminish our ability to innovate. Locally, we have seen evidence of permitting and licensing processes taking eight months to a year to process—effectively bleeding young companies dry and limiting productivity density in a city with among the highest lease rates for commercial and industrial properties.

Creating more flexible institutions includes:

- Supporting new ways of working, such as working in the gig economy or sharing facilities and equipment—including simplifying colocation processes and creating benefits structures that serve individuals as well as companies
- Developing and tracking process-based metrics (such as wait times) as opposed to static performance metrics
- Expanding the VEC's [Green and Digital Demonstration Program](#) Cascadia-wide to enable innovative cleantech and digital companies to showcase and demonstrate their solutions on publicly and privately owned assets

TAPPING THE POTENTIAL OF ANCHOR INSTITUTIONS

Innovation does not have to be technology based. For institutions with significant purchasing power, assets, and regulatory authority, the most transformative innovations can be social innovations. There is concern among local institution representatives that insufficient emphasis is being placed on strategic planning and R&D within their workplaces. Several models of social innovation in institutions were discussed as examples, including:

- The Foundry Mental Health program for kids that has been adopted by the BC provincial government, helping create equitable access to mental health services
- The Helsinki Design Lab that is consistently applying the design process to policy development in order to experiment with new approaches to social issues, test their effectiveness, and develop impactful policies
- The Amsterdam circular procurement processes that are being implemented to foster the development of circular economy businesses and industry transformation

INCREASING EXPERTISE IN INFRASTRUCTURE FINANCING

Vancouver has been modeled worldwide as a leader in urban design and urban planning. In spite of this success, we have developed a very limited set of tools for infrastructure financing and project development. There is a general consensus that to be a global city, we need world-class amenities, including extensive transportation and cultural infrastructure, but the development of this infrastructure frequently gets halted at the project financing stage. Simultaneously, we have a class of global investors seeking opportunities to invest their money here and unable to find large scale projects in which they can invest (often opting to buy real estate instead). The new federal supercluster investment in the region is seen as an opportunity to leverage government investments to attract a wider array of private capital into our economy.

KEY QUESTIONS

FLEXIBILITY & RESPONSIVENESS - Which process metrics will drive continual innovation in our institutions? How can our institutions create policies and programs that are flexible to the rapid pace of change we are seeing in our economy?

UNTAPPED POTENTIAL - How do we create time and space within our institutions to plan for the future, conduct R&D and proactively improve policies?

INFRASTRUCTURE FINANCE - How do we improve infrastructure project development and project financing in the region?

ECONOMIC RESILIENCE MEANS... ADDRESSING TALENT INSECURITY

CREATING INCLUSIVE OPPORTUNITIES

“Our problem is not jobs.” Rather, we should be concerned about how we are going to fill the jobs that are growing in Vancouver in a way that is inclusive, fair, and celebrates diversity. This was echoed throughout the resilient economy discussions. Major employers expressed the need to address inherent biases when hiring—recommending that instead of trying to encourage talent to move into the city, we should nurture our local talent pool. This is essential to avoiding the tension between newcomers and existing communities that we see in places like San Francisco. We need to make sure new companies and employment opportunities are integrated into the communities in which they are operating rather than replacing them.

“If people don’t feel as though there are economic opportunities for them, feelings of xenophobia arise.”

FILLING TALENT GAPS

Education has a big role to play. Traditional educational curriculums are becoming less relevant with plentiful resources available online. At the same time, education and arts institutions are looking at their role as places of continual learning and reskilling throughout an individual’s life and career and how they can be part of the education supply chain to match the changing nature of work. For employers, the challenge will be creating enough flexibility in the workplace to build company loyalty and retain employees over the course of their careers. Telus, for instance, already has 70% of its workforce working remotely on any given day. This is a clear response to employee demand.

For more information on filling tech talent gaps in BC, check out the Talent Strategy for BC: www.vancouvereconomic.com/techtalent

PREPARING FOR THE FUTURE OF WORK

Automation and the future of work continues to capture the imaginations of financial institutions, businesses, consultancies, venture capitalists, and educational institutions alike. The Brookfield Institute for Innovation + Entrepreneurship at Toronto’s Ryerson University released a report in the spring of 2016 suggesting that more than 40 percent of the Canadian workforce is at high risk of being replaced by technology and computers in the next two decades. Less than a year later, RBC announced a 10-year, \$500M initiative to help young people gain access and opportunity to the skills, job experience and career networks needed for the future world of work. And this year, SFU is hosting a Future of Work summit.

A rise in robotics, automation, and machine learning has come at a time when new workforce entrants are increasingly seeking a greater sense of purpose in their work. We need to be cognizant that as we prepare for these shifts in the nature of work, we keep our focus on the future—aim to understand what the consumer wants and how we are going to get there—rather than on protecting jobs of the past that are quickly becoming obsolete.

KEY QUESTIONS

INEQUALITY - How do we broaden the scope of our education programs and hiring practices to ensure employment opportunities are extended to individuals outside traditional candidates?

TALENT GAPS - How do we overhaul education to keep up with the rapid pace of change we are seeing in the workplace? How do we ensure the entire talent supply chain is better integrated (eg. from childhood education to continual reskilling for adults later in their careers)?

FUTURE OF WORK - How do we use disruptive technologies such as machine learning and automation to continue to improve workplace safety, comfort, and health while creating more regenerative jobs—jobs that embody a sense of purpose, autonomy and mastery?

RESILIENT FUTURE ECONOMY

A resilient future economy for Vancouver is an economy that is inclusive and diverse, regionally coordinated and communicated, tied to innovation across major public and private institutions, and generates enough wealth for the regional population to feel secure and sustain a high quality of life.

Recognizing the future is the culmination of the decisions made today, there are a number of steps we must take to build this resilient future economy.

We need to... transform our weaknesses into strengths.

By building on our strengths in social entrepreneurship, Vancouver is well positioned to take a leadership role in establishing strong social finance firms, developing innovative forms of impact investing, and leading in social purpose real estate projects to address affordability issues and develop 21st century infrastructure.

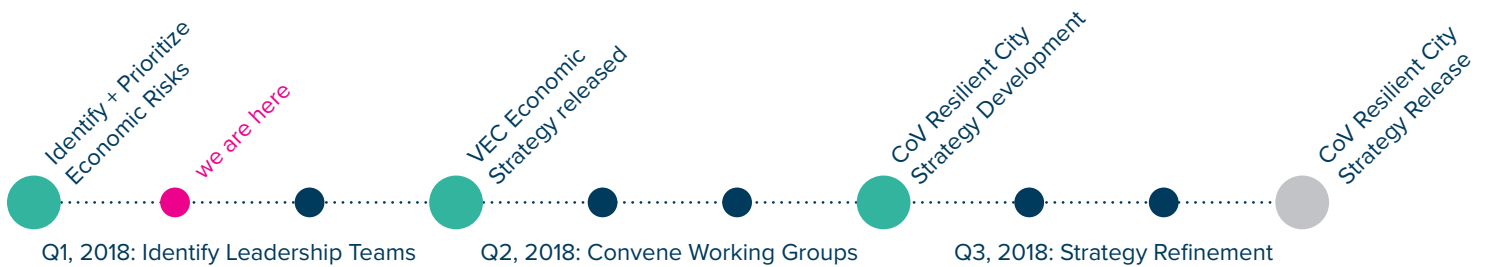
We need to... think and act both regionally and globally.

The federal Supercluster Initiative and Federal Smart Cities Challenge present powerful opportunities to collaborate regionally on world-leading economic development and infrastructure initiatives.

We need to... work with our institutions to build partnerships and programs that fuel innovation.

Our regional institutions recognize the importance of strategic planning, R&D, and continually experimenting with better ways of operating which means Vancouver is well positioned to develop demonstration projects, implement socially progressive procurement practices, and experiment with new approaches to policy development that can be mimicked nation-wide.

NEXT STEPS



To stay informed, sign up to the Vancouver Economic Commission's quarterly newsletter at www.vancouvereconomic.com, and please reach out directly if you would like to take a leadership role on building economic resilience: info@vancouvereconomic.com

100 RESILIENT CITIES NETWORK

Throughout these discussions, two other opportunities were identified for leveraging the [100 Resilient Cities Network](#) to address economic resilience in Vancouver.

1. Work with other cities across the country to examine the impacts of national policies on our local economies, including trade deals, interest rates, and foreign investment policies.
2. Identify resilience-related technology and solution providers in Metro Vancouver can leverage the 100RC network to identify market development opportunities for their resilience solutions.