The Regional Municipality of Durham

Planning & Economic Development Committee Agenda

Council Chambers
Regional Headquarters Building
605 Rossland Road East, Whitby

Tuesday, February 1, 2022 **9:30 AM**

Please note: In an effort to help mitigate the spread of COVID-19, and to generally comply with the directions from the Government of Ontario, it is requested in the strongest terms that Members participate in the meeting electronically. Regional Headquarters is closed to the public, all members of the public may view the Committee meeting via live streaming, instead of attending the meeting in person. If you wish to register as a delegate regarding an agenda item, you may register in advance of the meeting by noon on the day prior to the meeting by emailing delegations@durham.ca and will be provided with the details to delegate electronically.

1. Roll Call

2. Declarations of Interest

3. Adoption of Minutes

A) Special Planning & Economic Development Committee meeting – January 13, 2022 — Pages 4 - 10

4. Statutory Public Meetings

There are no statutory public meetings

5. Delegations

There are no delegations

6. Presentations

6.1 Gary Muller, Director of Planning, Simon Gill, Director of Economic Development & Tourism, and Lorraine Huinink, Director of Rapid Transit and Transit Oriented Development, re: 2022 Planning and Economic Development Department Business Plans and Budgets (2022-P-6) [Item 7.2 A)]

6.2 Simon Gill, Director of Economic Development & Tourism, re: Economic Development and Tourism Strategy and Action Plan: Update (2022-EDT-1) [Item 8.2 A)]

7. Planning

7.1 Correspondence

7.2 Reports

A) 2022 Planning and Economic Development Department Business Plans and Budgets (2022-P-6) 11 - 23

Link to the 2022 Planning and Economic Development Department Business Plans and Budget

8. Economic Development

8.1 Correspondence

8.2 Reports

A) Economic Development and Tourism Strategy and Action Plan: Update (2022-EDT-1) 24 - 56

B) Evaluating the Feasibility of Establishing a Durham Region Local Food Logistics Hub and Innovation Centre (2022-EDT-2) 57 - 114

C) Investment Attraction Metrics – Annual Activity Report 2021 (2022-EDT-3) 115 - 137

9. Advisory Committee Resolutions

9.1 Durham Environmental Advisory Committee

A) Inclusion of the Carruthers Creek Headwaters in the Greenbelt 138

Recommendation: Refer to staff for a report

10. Confidential Matters

There are no confidential matters to be considered

11. Other Business

12. Date of Next Meeting

Tuesday, March 1, 2022 at 9:30 AM

13. Adjournment

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The Regional Municipality of Durham

MINUTES

PLANNING & ECONOMIC DEVELOPMENT COMMITTEE

Thursday, January 13, 2022

A special meeting of the Planning & Economic Development Committee was held on Thursday, January 13, 2022 in the Council Chambers, Regional Headquarters Building, 605 Rossland Road East, Whitby, Ontario at 9:30 AM. Electronic participation was offered for this meeting.

1. Roll Call

Present:
Councillor Joe Neal, Vice-Chair
Councillor Grant
Councillor Highet
Councillor Kerr
Councillor Yamada
Regional Chair Henry
* **all members of Committee participated electronically**

Also Present:
Councillor Barton
Councillor Foster
Councillor Marimpietri
Councillor Pickles attended for part of the meeting
Councillor Smith attended for part of the meeting
Councillor Wotten

Absent:
Councillor Lee
Councillor Ryan, Chair, was absent due to municipal business

Staff Present:
E. Baxter-Trahair, Chief Administrative Officer
B. Bridgeman, Commissioner of Planning and Economic Development
D. Beaton, Commissioner of Corporate Services
C. Boyd, Solicitor, Corporate Services – Legal Services
S. Baldie Jagpat, Manager, Administrative Services
A. Caruso, Senior Planner
D. Culp, Planning Analyst
P. Frizado, Director, Broadband Services
S. Gill, Director, Economic Development and Tourism
C. Goodchild, Manager, Policy Planning & Special Studies
R. Inacio, Systems Support Specialist, Corporate Services – IT
S. Jibb, Manager, Economic Development, Agriculture and Rural Affairs
A. Luqman, Project Planner

G. Muller, Director of Planning
G. Pereira, Manager, Transportation Planning
B. Pickard, Manager, Tourism
K. Ryan, Senior Solicitor, Corporate Services – Legal Services
S. Salomone, Manager, Economic Development, Business Development and Investment
M. Scott, Project Planner
J. Severs, Manager, Economic Development, Marketing and Cluster Development
K. Smith, Committee Clerk, Corporate Services – Legislative Services
L. Trombino, Manager, Plan Implementation
T. Fraser, Committee Clerk, Corporate Services – Legislative Services

Councillor Joe Neal, Vice-Chair, chaired the meeting in the absence of Councillor Ryan, Chair.

2. Declarations of Interest

There were no declarations of interest.

3. Adoption of Minutes

Moved by Councillor Highet, Seconded by Councillor Kerr,
(1) That the minutes of the regular Planning & Economic Development Committee meeting held on Tuesday, December 7, 2021, be adopted.
CARRIED

4. Statutory Public Meetings

There were no statutory public meetings.

5. Delegations

5.1 Zac Cohoon, Chair, Durham Agricultural Advisory Committee (DAAC), re: Durham Agricultural Advisory Committee 2021 Annual Report and 2022 Workplan (2022-P-2)

Z. Cohoon, participating electronically, appeared before the Committee with respect to the Durham Agricultural Advisory Committee (DAAC) 2021 Annual Report and 2020 Workplan. He highlighted the various activities of DAAC in 2021 and he outlined some of the proposed activities in the 2022 Workplan, including:

- policy development and implementation by providing advice on the formulation and implementation of land use planning policies;
- communication, outreach and education, including the 2022 virtual or in-person DAAC Farm Tour;

- economic development and tourism to assist Durham's agricultural sector; and
- issues of interest that are significant to DAAC and may require future consideration.

Z. Cohoon advised that new matters and matters of significant interest for DAAC include agricultural and rural related road and Works matters.

Z. Cohoon responded to questions from the Committee. The Committee thanked Z. Cohoon and members of DAAC for their work.

5.2 Jay Cuthbertson, Vice-Chair, Durham Environmental Advisory Committee (DEAC), re: Durham Environmental Advisory Committee 2021 Annual Report and 2022 Workplan (2022-P-3)

J. Cuthbertson, participating electronically, appeared before the Committee with respect to the Durham Environmental Advisory Committee (DEAC) 2021 Annual Report and 2022 Workplan. He highlighted the various activities DEAC was involved with during 2021 and he outlined some of the proposed activities in the 2022 Workplan, including:

- providing input and advice on proposed amendments to the Regional Official Plan, as needed; and advice on the municipal comprehensive review through Envision Durham;
- supporting community environmental awareness, including a pollinator seed distribution project and continuing the Environmental Achievement Awards Program; and
- continuing to provide representation on Public and Stakeholder Advisory Groups.

J. Cuthbertson responded to questions from the Committee. The Committee thanked J. Cuthbertson and members of DEAC for their work.

5.3 Ron Lalonde, Chair, Durham Active Transportation Committee (DATC) re: Durham Active Transportation Committee 2021 Annual Report and 2022 Workplan (2022-P-4)

R. Lalonde, participating electronically, appeared before the Committee with respect to the Durham Active Transportation Committee (DATC) 2021 Annual Report and 2022 Workplan. He provided highlights from the DATC's activities in 2021 and he outlined some of the proposed activities in the 2022 Workplan, including:

- cycling safety and education by supporting the Region's Vision Zero initiative and providing input on the Regional active and sustainable school travel programs;

- infrastructure by providing advice on the advancement of active transportation initiatives as outlined in the Region's 2021 Cycling Plan and 2017 Transportation Master Plan, as well as coordination with area municipal cycling plans; and
- communications and advocacy by ensuring a consistent and open channel for active transportation communique amongst municipalities and other partners, and encouraging participants to attend DATC meetings with updates.

R. Lalonde responded to questions from the Committee. The Committee thanked R. Lalonde and members of DATC for their work.

6. Presentations

6.1 Simon Gill, Director of Economic Development and Tourism, re: COVID-19 Economic Impacts Update

S. Gill provided a PowerPoint presentation with an update regarding COVID-19 Economic Impact. Highlights of his presentation included:

- Modified Step 2 Restrictions
- Modified Step 2
- Business Community Impacts and Concerns
- Business Count (Summer 2021 – 4,900 Respondents)
- Resources to Support Business
- Additional Activities of Region & DETF
- Look-Ahead

S. Gill responded to a question with respect to who is responsible for implementation of new programs.

It was requested that a copy of the presentation be circulated to all members of Regional Council.

7. Planning

7.1 Correspondence

There were no communications to consider.

7.2 Reports

A) Durham Agricultural Advisory Committee 2021 Annual Report and 2022 Workplan (2022-P-2)

Report #2022-P-2 from B. Bridgeman, Commissioner of Planning and Economic Development, was received.

Moved by Councillor Yamada, Seconded by Councillor Kerr,
(2) That we recommend to Council:

A) That Report #2022-P-2 of the Commissioner of Planning and Economic Development be received as the Durham Agricultural Advisory Committee's 2021 Annual Report;

B) That the Durham Agricultural Advisory Committee's 2022 Workplan be approved, as outlined in Attachment #1 to Report #2022-P-2; and

C) That a copy of Report #2022-P-2 be forwarded to the Durham Agricultural Advisory Committee, the Durham Federation of Agriculture, the Golden Horseshoe Food and Farming Alliance, and the Area Municipalities.

CARRIED

B) Durham Environmental Advisory Committee 2021 Annual Report and 2022 Workplan (2022-P-3)

Report #2022-P-3 from B. Bridgeman, Commissioner of Planning and Economic Development, was received.

Moved by Councillor Yamada, Seconded by Councillor Kerr,
(3) That we recommend to Council:

A) That Report #2022-P-3 of the Commissioner of Planning and Economic Development be received as the Durham Environmental Advisory Committee's 2021 Annual Report;

B) That the Durham Environmental Advisory Committee's 2022 Workplan be approved, as outlined in Attachment #1 to Report #2022-P-3; and

C) That a copy of Report #2022-P-3 be forwarded to the Durham Environmental Advisory Committee and the Area Municipalities.

CARRIED

C) Durham Active Transportation Committee 2021 Annual Report and DATC 2022 Workplan (2022-P-4)

Report #2022-P-4 from B. Bridgeman, Commissioner of Planning and Economic Development, was received.

Moved by Councillor Yamada, Seconded by Councillor Kerr,
(4) That we recommend to Council:

A) That Report #2022-P-4 of the Commissioner of Planning and Economic Development be received as the Durham Active Transportation Committee's 2021 Annual Report;

B) That the Durham Active Transportation Committee's 2022 Workplan be approved, as outlined in Attachment #1 to Report #2022-P-4; and

C) That a copy of Report #2022-P-4 be forwarded to the Durham Active Transportation Committee and the Area Municipalities.

CARRIED

D) Smart Mobility Durham 2021 Annual Report and 2022 Workplan (2022-P-5)

Report #2022-P-5 from B. Bridgeman, Commissioner of Planning and Economic Development, was received.

Moved by Councillor Highet, Seconded by Councillor Grant,
(5) That we recommend to Council:

A) That Report #2022-P-5 of the Commissioner of Planning and Economic Development be received as Smart Mobility Durham's 2021 Annual Report and 2022 Workplan;

B) That Smart Mobility Durham's 2022 Workplan be approved, as outlined in Attachment #1 to Report #2022-P-5; and

C) That a copy of Report #2022-P-5 be forwarded to the Durham Active Transportation Committee and the Area Municipalities.

CARRIED

8. Economic Development

8.1 Correspondence

There were no communications to consider.

8.2 Reports

There were no Economic Development reports to consider.

9. Advisory Committee Resolutions

There were no advisory committee resolutions to be considered.

10. Confidential Matters

There were no confidential matters to be considered.

11. Other Business

There was no other business to be considered.

12. Date of Next Meeting

The next regularly scheduled Planning & Economic Development Committee meeting will be held on Tuesday, February 1, 2022 at 9:30 AM in the Council Chambers, Regional Headquarters Building, 605 Rossland Road East, Whitby.

13. Adjournment

Moved by Councillor Yamada, Seconded by Councillor Kerr,
(6) That the meeting be adjourned.
CARRIED

The meeting adjourned at 10:14 AM

Respectfully submitted,

Joe Neal, Vice-Chair

T. Fraser, Committee Clerk

If this information is required in an accessible format, please contact 1-800-372-1102 ext. 2564

The Regional Municipality of Durham Report

To:	Planning and Economic Development Committee
From:	Commissioner of Planning and Economic Development
Report:	#2022-P-6
Date:	February 1, 2022

Subject:

2022 Planning and Economic Development Department Business Plans and Budgets

Recommendation:

That the Planning and Economic Development Committee recommends to the Finance and Administration Committee for subsequent recommendation to Regional Council that the 2022 Business Plans and Budgets of the Planning and Economic Development Department be approved.

Report:

1. Purpose

1.1 The purpose of this report is to obtain Planning and Economic Development Committee concurrence of the 2022 Business Plans and Budgets for the Planning and Economic Development Department. The Planning and Economic Development Department 2022 Business Plans and Budgets will be referred to the Finance and Administration Committee for consideration during deliberations of the 2022 Property Tax Supported Business Plans and Budgets.

2. Overview

2.1 The recommended 2022 Planning and Economic Development Business Plans and Budgets meets the Council approved guideline for the 2022 Property Tax Supported Business Plans and Budgets.

2.2 The 2022 Planning and Economic Development Business Plans and Budget supports the following five goals of the Region's Strategic Plan as well as responds to the ongoing demands and pressures of the Region's programs and services in response to the COVID-19 pandemic and the Region's continued recovery efforts.

a. Environmental Sustainability
b. Community Vitality
c. Economic Prosperity
d. Social Investment
e. Service Excellence.

2.3 The recommended 2022 Planning and Economic Development Department Business Plans and Budget includes $13.1 million in gross expenditures requiring $11.9 million in property tax funding with the remaining funded by program fees, provincial subsidies, reserves and reserve funds.

2.4 The recommended 2022 Planning and Economic Development Department Business Plans and Budget provides operating and capital funding for the following Divisions:

a. Planning Division

- Policy Planning and Special Studies
- Transportation Planning
- Plan Implementation
- Land Division
- Executive
- Administration and Support Services
- Citizen Advisory Committees
- Application and Approval Revenue

b. Economic Development and Tourism Division

- Administration
- Business Development
- Tourism
- Business Advisory Centre Durham (BACD)
- Rural and Agriculture
- Community Promotion Resource
- Marketing Strategy Partnerships

c. Rapid Transit and Transit Oriented Development – This Division was realigned in late 2022 to the Planning and Economic Development Department from the Office of the Chief Administrative Officer.

3. 2021 Accomplishments

3.1 In 2021 the Planning and Economic Development Department undertook several activities including the delivery of core and mandated services:

a. Planning Division

- Through Envision Durham, the Municipal Comprehensive Review of the Regional Official Plan, the following was undertaken:
  - staff presented and released a comprehensive set of Proposed Policy Directions based on best practice reviews, research, public engagement, and feedback received for public and agency comment;
  - Through the Land Needs Assessment process of the Growth Management Study, released the following reports for public, agency and stakeholder review and comment:
    (i) Region-wide Growth Analysis Technical Report;
    (ii) Housing Intensification Study Technical Report;
    (iii) Employment Strategy Technical Report;
    (iv) Community Area Urban Land Needs Technical Report;
  - Convened the statutory public open house, statutory public meeting and presented staff's recommendations to establish the delineations and policy framework for Protected Major Transit Station Areas;
  - Completed a Council Information Session on the Municipal Comprehensive Review, and provided update presentations to each of Durham's eight area municipalities;
  - Presented staff's recommendations on 46 Employment Area conversion requests as part of the Land Needs Assessment component of the Growth Management Study.

- Presented the Carruthers Creek Watershed Plan Update which establishes the watershed conditions and outlines a framework for improving, enhancing, and restoring watershed health, for Committee and Council endorsement.
- Presented information and staff's recommendation on various Regional Official Plan Amendment applications for Committee's consideration.
- Co-lead in the preparation, consultation and rollout of the Region's Community Safety and Well-Being Plan.
- Completed the Regional Cycling Plan Update that describes actions, activities and initiatives that will result in a connected, safe and accessible region-wide cycling network.
- Completed and presented recommendations for updating the Region's Soil and Groundwater Assessment Protocol, providing an updated framework for identifying lands that have potential for soil and groundwater contamination, and streamlining processes for reviewing development applications where contamination is identified.
- Launched Phase 1 of PLANit, the Region's new development tracking system, allowing for the electronic submission, circulation and commenting on development applications filed with the Region.
- Continued work in support of the Region's efforts to advance the GO East Extension.
- Continued work in support of Regional efforts to advance opportunities for affordable housing.
- Continued work on the design and development of a Regional Community Improvement Plan.
- Provided a Regional perspective on provincial planning initiatives, including Minister's Zoning Order requests in Scugog and Clarington.
- Provided timely review of land development applications where the Region is a commenting agency to the area municipalities. Where the Region is an approval authority, provided timely review, comment and approval of development applications including effective administration of the Regional Land Division Committee.
- Supported the activities of the Durham Environmental Advisory Committee, including their "Resident's Guide to Climate Resiliency", Durham

Agricultural Advisory Committee, and the Durham Active Transportation Committee, including hosting a virtual Farm Tour.

b. Economic Development and Tourism Division

- Continued to conduct timely and relevant updates on a single-source, comprehensive portal listing all available funding, programming, and information on our website from all levels of government, at www.investdurham.ca/CovidResponse which includes an events calendar with webinars for upskilling, directories of businesses that provided local food, local e-commerce supports and local PPE, as well as reskilling available at local post-secondary schools.
- Continued work with the Durham Economic Task Force (DETF) to immediately action supports for our business community impacted by COVID-19 to advocate for the needs of the business community, provide information about available supports, develop support programming for businesses and promote Durham small businesses through shop local campaigns, like the Shop in Durham Week campaign.
- Supported the Durham Region International Film Festival (DRIFF) and welcomed major improvements in our film and television hosting capacity. Held virtual career fairs to introduce a career in film and television to an expanding cohort of students.
- Continued work on the development of a comprehensive and forward-looking agriculture strategy and action plan, and rural economic development strategy and action plan.
- Advanced progress on a business case for a local food centre and assisted with the application for many Rural Economic Development (RED) grants to support our rural municipalities.
- Accomplished extensive work on the on the Durham Immigration and Inclusion Community Plan 2020-2024 and advanced the #ImmigrantsWork initiative.
- Fostered advancements in our partnership with Durham's post secondaries through the creation of the Tap Into Talent project and video, showcasing one of the key pillars of our Regional value proposition for new investment, and improving the Region's relationships with the Universities and College.

- Delivered a professional, polished, and successful Realtor and Developer event with the Durham Economic Development Partnership (DEDP), including a tool kit and landing page, which succinctly presents a wealth of valuable investment information to key realtor and developer audiences in the GTHA.
- Contracted and launched the Shop Durham Marketplace, an initiative to support our small local artisans, makers, and retailers through the peak of the pandemic. Launched captivating blog posts to help our residents shop locally and explore the variety of vibrant offerings of locally owned businesses.
- Submitted a bid to host the Parasport games again in Durham Region in 2023.
- Developed and launched a new business line for the Regional corporation, a Regional Broadband Network. Work included many successful grant applications, laying many kilometres of fibre backbone infrastructure, and establishing an entirely new special purpose entity to develop, construct, and commercially operate a network, bringing service to our unserved and underserved communities. In December of 2022, Regional Council approved the creation of a municipal services corporation that will lead future broadband initiatives.
- Delivered extraordinary customer service to approximately 120 prospective investment leads, organizing and suggesting suitable real estate options, hosting site visits, and preparing pitch packages.
- Built remarkable brand guidelines for Invest Durham and Durham Tourism, enabling us to outperform our peers around the GTHA in digital investment promotion.
- Created and launched the timeline of innovation, a showcase pillar of our core value proposition for new investment.
- Developed and executed an exciting new EN3 promotion campaign and new value proposition, community profile, and eNews.
- Launched the North Durham Tourism Ambassador Program to support tourism in North Durham.
- Created and promoted the Durham is Home Collection, featuring items for sale that showcase 22 icons that represent Durham Region landmarks.

- Initiated work on Project Woodward to establish a clean energy innovation hub for business in Clarington Energy Park.
- Advanced the servicing of priority employment lands as part of the Employment Land Servicing Project.
- Began the development of a refreshed regional Economic Development Strategy which will set Durham Region up for long-term prosperity and success through our work over the next five years.

c. Rapid Transit and Transit Oriented Development Division

- Established the organization and reporting structures for the new Division, including dual reporting relationships for both the Rapid Transit and Transit Oriented Development Offices.
- Finalised the terms of reference for Metrolinx / Durham Region Governance Model.
- Established Region/Local Municipal collaboration tables for Metrolinx and / or Region led transit-oriented development initiatives.
- Continued alignment of Region/Local Municipal objectives for the Lakeshore East GO Extension Working Groups.
- Developed station implementation frameworks in tandem with Metrolinx Bowmanville TOC Strategy.
- Ongoing Extension and Station Implementation advocacy strategies.
- Continued alignment of Region Departmental objectives to further community building objectives for Major Transit Station Areas.

4. 2022 Strategic Highlights

4.1 The 2022 Business Plans and Budgets provide critical resources to advance the programs and services provided by the Department. Emphasis in 2022 will be to:

a. Planning Division

- Through Envision Durham, the following activities will be undertaken:
  - Completing Phase 1 of the Land Needs Assessment, including:
    - (i) Refining the Community Area and Employment Area land needs in response to Council-endorsed employment area conversions;

(ii) Providing staff's recommendations on various unit mix and density scenarios;

- Undertaking Phase 2 of the Growth Management Study, identifying candidate locations for urban growth, and allocating the region's growth forecasts to 2051 for Committee's and Council's consideration;
- Presenting a proposed Regional Natural Heritage System and agricultural system mapping that implements provincial requirements; and
- Preparing the schedules and text leading to a draft Regional Official Plan.

- Undertaking a Regional Housing Assessment report to inform the local municipal consideration of Inclusionary Zoning opportunities in Protected Major Transit Station Areas.
- Leading the preparation and consultation of a proposed Regional Community Improvement Plan, with a focus on providing incentives for purpose-built affordable rental housing within the Region's Urban Areas, and specific employment uses within Protected Major Transit Station Areas.
- Advancing the recommendations contained in the Region's 2021 Cycling Plan including:
  - Undertaking a Signage and Wayfinding Strategy;
  - Assisting in developing school safety plans as part of the Active and Sustainable School Travel Program (ASST); and
  - Working with partners to facilitate a Durham specific cycling event.
- Initiating an update of Durham's Freight and Goods Movement Strategy.
- Working in cooperation with Durham's five Conservation Authorities to implement the provincial changes to the Conservation Authorities Act including the development of Service Agreements.
- Conducting the 2022 Durham Region Business Count, including the addition of one or two new survey questions to gauge the impact of the COVID-19 pandemic on local businesses and the region's workforce.

b. Economic Development and Tourism Division

- Onboard one new full-time Business Development Specialist, approved in the 2021 Business Plans and Budget, to support business growth and retention in the region as well as new investment attraction.
- Finalize and launch a refreshed Economic Development Strategy and Action Plan that ties in newly developed strategies in key areas such as: marketing, tourism, agriculture, local food, northern business retention and expansion, investment attraction and post-COVID economic recovery.
- Develop and deliver marketing campaigns through innovative digital channels to grow awareness of the Region, supporting growth of the EN3 cluster.
- Continue to support innovation and entrepreneurship regionally.
- Assist in establishing the newly created municipal services corporation to advance the deployment of broadband infrastructure to unserved and underserved areas of the Region.
- Advance Project Woodward, an initiative to develop a concept plan for the Region's surplus lands in the Clarington Energy Park for the purpose of creating an energy innovation park and attracting new EN3 sector investment and jobs.
- Plan for economic recovery programming in partnership with the DETF and the DEDP.
- Advance the development of marketing initiatives to promote serviced and market-ready employment lands regionally to attract investment.
- Continue to implement the Local Food Business Retention and Expansion Action Plan to support the retention and expansion of agri-food businesses, and work to grow the agri-tourism sector regionally.

c. Rapid Transit and Transit Oriented Development Division

- Continue to refine station implementation frameworks for adoption as part of the Region's TOD Strategy.
- Continue extension and station implementation advocacy strategies.
- Continued to build a Rapid Transit Deployment Plan.

4.2 A series of initiatives are included in the 2022 Business Plans and Budgets that will help provide mitigation and adaptation measures and strategies to address the Region's climate change initiatives, including the following:

a. Envision Durham, the Region's Municipal Comprehensive Review of the Durham Regional Official Plan, the Region's principal land use planning document will incorporate mitigation and adaptation policies, a greater focus on transit-oriented development, and a regional natural heritage system that will help address the Region's climate change initiatives.

b. The Regional Community Improvement Plan will incorporate program incentives to support the delivery of needed affordable housing, and targeted intensive employment uses within Protected Major Transit Station Areas (PMTSAs).

c. The new PLANit development tracking system will enable improved data collection, tracking and monitoring of new developments in relation to Regional policy objectives.

d. Improved rapid transit service and the extension of GO Train service to Bowmanville will reduce greenhouse gas emissions from vehicles.

e. The implementation of projects identified under the Regional Cycling Plan, including working with municipal partners to initiate the design of the Durham Meadoway will help support mode shift toward active modes of transportation, reducing greenhouse gas emissions.

4.3 The COVID-19 pandemic continues to have significant impact on Regional programs and services. Staff in the Planning and Economic Development Department continue to provide a focused and dedicated effort in support of local businesses, and will continue to provide on-line services, holding virtual meetings, and remote work. Ongoing response to and recovery from the COVID-19 pandemic includes:

a. Planning Division

- Further improving on-line submissions and circulation of development applications.
- Ongoing monitoring of development activity to determine any implications on long term growth.
- Continuing to provide responsive service through the review of development applications, the conduct of meetings and the continuation of projects.

b. Economic Development and Tourism Division

- The ongoing COVID-19 pandemic has had a devastating effect on the local business community. In response, the workplan of Economic Development and Tourism has shifted to meet the needs of the local business community.
- Through the Durham Economic Task Force (DETF), capacity and resiliency has been created in the local business community through programming that was jointly developed and through the delivery of webinars in topics such as e-commerce and digital marketing.
- Support-Local promotional campaigns have created a groundswell of support and local pride in Durham Region as an amazing, resilient and innovative community.
- The long-lasting effects of the partnerships the Region has forged through the DETF will continue to create value for residents for years to come as businesses continue to navigate the devastating impact of COVID-19.

5. 2022 Risks and Uncertainties

5.1 Some of the risks and uncertainties that could be experienced through 2022 include:

a. A continued risk that further provincial initiatives could affect the timing or delivery of the Planning program including any additional Ministerial Zoning Order Requests or any changes to provincial policies or legislation requiring staff comment.

b. The potential that application revenue may not meet the forecast.

c. The potential that additional consulting funds may be required if additional work is necessary under the 2022 MCR workplan.

d. Restrictions to mitigate the spread of COVID-19 may have a continued impact on the business community including the hardest hit retail, manufacturing, hospitality and tourism sectors.

e. Once the Lakeshore Go East Extension to Bowmanville is approved by the Province, there will be uncertainties associated with timing and quantum of new development in proximity to the GO Train stations.

6. Future Budget Pressures

6.1 The Planning and Economic Development Department anticipates the following future budget pressures that are of note:

a. The Region's population is forecast to grow at a rapid pace. Once the Region's new official plan is approved, area municipal official plans will require timely review and approval. This combined with growth pressures from new development applications, will require staff review and potentially additional staff resources.

b. Technological changes and improvements as the Department continues to offer a greater variety of on-line services.

c. The timing and amount of Transit Oriented Development and related infrastructure coordination may result in additional staffing budget pressures.

d. The Five-Year Economic Development & Tourism Strategy and Action Plan planned for Q2 2022 will provide further details on budgetary pressures related to projects required for place-making and job creation.

7. Relationship to Strategic Plan

7.1 This report aligns with/addresses the following strategic goal and priorities in the Durham Region Strategic Plan:

Goal 5 Service Excellence – to provide exceptional value to Durham taxpayers through responsive, effective, and fiscally sustainable service delivery. By responsibly managing the Region's financial assets, the proposed 2022 Planning and Economic Development Department Business Plans and Budget looks to optimize resources to deliver critical infrastructure and services for current and future generations.

Goal 3 Economic Prosperity - To build a strong and resilient economy that maximizes opportunities for business and employment growth, innovation and partnership.

7.2 The Strategic Priorities section of the 2022 Planning and Economic Development Department Business Plans and Budget document further highlights planned activities for the current budget year which will contribute to the achievement of the Region's priorities outlined in the Region's Strategic Plan.

8. Conclusion

8.1 The recommended 2022 Planning and Economic Development Department Business Plans and Budget meets the Council approved guideline for the 2022 Property Tax Supported Business Plans and Budgets and supports the Department's role in generating new investment, creating jobs, and establishing and implementing a long-term vision for the growth and prosperity of the Region.

8.2 It is recommended that the Planning and Economic Development Committee approve the 2022 Business Plans and Budgets for the Planning and Economic Development Department and forward this report to the Finance and Administration Committee for consideration during the budget deliberations of the 2022 Property Tax Supported Business Plans and Budget.

8.3 This report has been reviewed by the Finance Department and the Commissioner of Finance concurs with the recommendation.

9. Attachments

9.1 Detailed 2022 Business Plans and Budgets for the Planning and Economic Development Department are available on-line through the link provided on the February 1, 2022 Planning and Economic Development Committee agenda or in hard copy by contacting the Finance Department, at (905) 668-7711 ext. 2302.

Respectfully submitted,

Original signed by

Brian Bridgeman, MCIP, RPP
Commissioner of Planning and
Economic Development

Recommended for Presentation to Committee

Original signed by

Elaine Baxter-Trahair
Chief Administrative Officer

If this information is required in an accessible format, please contact 1-800-372-1102 ext. 2564

The Regional Municipality of Durham Report

To:	Planning and Economic Development Committee
From:	Commissioner of Planning and Economic Development
Report:	#2022-EDT-1
Date:	February 1, 2022

Subject:

Economic Development and Tourism Strategy and Action Plan: Update

Recommendation:

That the Planning and Economic Development Committee recommends:

That this report be received for information.

Report:

1. Purpose

1.1 The purpose of this report is to provide Committee with background information and a status update on the process of creating a new five-year Economic Development and Tourism Strategy and Action Plan.

1.2 This report will be accompanied by a presentation by Simon Gill, Director of Economic Development and Tourism for Durham Region, and provides an opportunity to members of the Planning and Economic Development Committee to contribute to the strategy development process.

2. Background

2.1 In 2017, Council endorsed the 2017-2021 Economic Development Strategy and Action Plan. The term of the strategy ended in 2021.

2.2 The 2017-2021 Strategy contained 78 Action Items across 7 Goal areas. The Economic Development and Tourism Division achieved a great deal of progress advancing and completing these actions over the prior five years, and a progress report to Committee and Council will be coming forward shortly.

2.3 Over the last five years, there have been significant changes in both the local and global economies. One of the biggest economic shocks that has impacted economies globally is the COVID-19 pandemic. The impacts of the pandemic have had major implications in Durham Region.

2.4 A new strategy is required to respond to the changing global and local trends and to capitalize on strengths and opportunities to realize long-term Economic Prosperity and job growth for Durham Region.

3. Previous Reports and Decisions

- 2016-EDT-21 May 24, 2016 Economic Development Strategy Phase 1 Presentation
- 2017-COW-116 May 3, 2017 2017 – 2021 Economic Development Strategy and Action Plan, "Durham Region: The Right Choice for a Bright Future"

4. Strategy and Action Plan Development

4.1 In May 2021, staff launched an RFP process to select a qualified vendor to support the development of a refreshed Economic Development and Tourism Strategy and Action Plan for 2022-2026. In August 2021 the Region retained the services of Hatch Limited (Hatch) who brings a global perspective with a mixed team from the UK and Toronto.

4.2 The strategy development process is being undertaken with four integrated streams of work that include work undertaken by Hatch and by Regional Staff:

a) Strategic Foundations Review
- Global Drivers of Change
- Desktop Review (Existing Documentation and Jurisdiction Review)
- Durham Region Economic Base Review
- Aspirations and Implementation Levers
- Growth Priorities

b) Strategy Development/Design
- Framework Development

c) Stakeholder Engagement
- Stakeholder Engagement Workshops
- Partner Consultations
- Partner Survey

d) Strategy Document and Action Item Development
- Strategy Drafting (Strategic priorities, goals, objectives)
- Action Item Development and Documentation

4.3 A Steering Committee to guide the development of the strategy has been formed comprised of leaders from Durham's Post Secondary sector, the Business Community and Cultural Community. The Steering Committee will be convened three times during the process to provide feedback and guidance on the strategy development.

4.4 Of central importance throughout the process is engaging with and incorporating contributions from important stakeholders across the Region, beginning with the Area Municipal economic development teams through the Durham Economic Development Partnership (DEDP). Some Area Municipalities are developing or have recently developed Economic Development strategies, and alignment between Regional and Area Municipal strategies should be prioritized wherever possible.

4.5 Additional contributors to the strategy include the Chambers of Commerce and Boards of Trade, BIAs, BACD, the post secondary institutions, the innovation community (Spark Centre, 1855 Whitby, Spark Angels, Ontario Centres of Innovation), Durham Workforce Authority, Mississaugas of Scugog Island First Nation, the Arts/Culture/Creative sector, other internal Departments, and many others from the business community.

4.6 In parallel to the overall Economic Development Strategy and Action Plan, the development of four supporting strategies is also underway. These documents are being created in parallel to ensure alignment and form part of the overall strategy.

i) Vibrant North Durham Economic Development Plan
ii) Agri-Food Sector Growth Plan
iii) Tourism Strategy
iv) Marketing Strategy

4.7 The Economic Development & Tourism Strategy and Action Plan will be delivered in Q2 of 2022. It is expected that there will be three distinct deliverables:

i) Global Drivers of Change
ii) 2022 – 2026 Economic Development & Tourism Strategy
iii) 2022 – 2026 Economic Development & Tourism Action Plan

5. Progress to date: Strategic Foundations Review

5.1 The Strategic Foundations Review phase is a critical phase in strategy development as it sets the stage for all work going forward. This phase provides a current state assessment of the global, national, and local economic environment by assessing both internal and external data.

5.2 As foundational data is synthesized, we will develop a clear picture of the factors that are influencing economic development in the Region and the opportunities and challenges. At the end of this phase of the project, the data analysis will provide a picture of the current strategic position upon which the Economic Development and Tourism Strategy will be built.

Global Drivers of Change

5.3 Hatch has completed the first key deliverable: a report titled “Global Drivers of Change” (Attachment #1: Global Drivers of Change). This report outlines eight global trends that are shaping industries and regional economies today.

5.4 The following trends are outlined within the report, which will be considered in a local context as the Strategy is developed.

a) Great consumer shift: changes in the way we consume
b) Supply chain nationalism: move away from just-in-time global supply chains
c) Future of office goes hybrid: high-earners commute less
d) Portfolio restructuring: companies with cash start acquiring
e) Mass tourism 2.0: tourism becomes regionally focused
f) Decarbonization acceleration: infrastructure and transport goes green
g) Automation everywhere: production lines get reengineered
h) The Bio Revolution: precision farming and industrialization of pharma

5.5 The Global Drivers of Change report suggests a prioritization of the drivers in the context of the Durham Region and highlights potential opportunities and challenges.

5.6 This report and its findings were a key input in some of the key stakeholder engagement sessions that have been held to-date, and will continue to be important considerations as the strategy is designed.

Desktop Review

5.7 A detailed desktop review of existing documentation is being undertaken to: assess the current state of economic development activities in the Region; identify key strengths, weaknesses, opportunities, and threats; and, identify the primary priorities of key stakeholders including the DEDP, the Region's area municipal Mayors and senior staff, academic and business leaders, and more broadly from stakeholder groups across the Region. A detailed list of existing research and documents being referenced as inputs to the strategy is as follows:

a) Draft Investment Attraction Strategy
b) The Director's update to Planning and Economic Development Committee in 2019 regarding the evolving Economic Development vision and strategy
c) The 2017 Durham Regional Economic Development Strategy Background Report
d) The 2017-2021 Durham Economic Development Strategy & Action Plan
e) The Durham Competitiveness Study (December 2018)
f) The Final Report from the DEDP Facilitated Session with the Region's Mayors, CAOs, Regional Chair, and DEDP staff (March 2019)
g) Durham Idea Summit materials (2016-2018)

5.8 Staff have also undertaken a high-level scan of comparable jurisdictions in North America. This review identified certain changing trends and key strategic priorities in other jurisdictions. Jurisdictions reviewed include the City of Toronto; Region of Peel; York Region; City of Ottawa; Waterloo Region; City of Hamilton; Niagara Region; Windsor-Essex; Seattle; Denver; El Paso; and Detroit.

Economic Base Analysis

5.9 Hatch is currently undertaking an Economic Base Analysis relying on a variety of data sources. Along with business count data, OMAFRA's Analyst Data, and data from other external sources, the recently published documents from the Municipal Comprehensive Review (MCR) have been used to accelerate this process as that current economic data is readily available as inputs into this process.

5.10 Once the data analysis is complete, it will be used as an input into stakeholder consultations and strategy design.

6. Stakeholder Engagement

6.1 Stakeholder engagement is of critical importance throughout all phases of the Strategy development process. Stakeholder engagement creates an opportunity for key partners and business leaders in the Region to provide input and feedback into the process and results in a more relevant and impactful strategy in the long term.

6.2 Stakeholders are being engaged in a variety of formats including:

a) Steering Committee Meetings
b) 1 on 1 Interviews
c) Workshops/Small Group Consultations
d) Survey

6.3 The feedback and input of the Planning and Economic Development Committee members and of Regional Council is of paramount importance throughout this process, as this will be a Strategy of Council. Committee members were invited to complete a survey in January, and this meeting of Committee serves as the second opportunity to provide input.

7. Relationship to Strategic Plan

7.1 This report aligns with/addresses the following strategic goals and priorities in the Durham region Strategic Plan:

- Goal 3: Economic Prosperity – To build a strong and resilient economy that maximizes opportunities for business and employment growth, innovation and partnership.

8. Conclusion

8.1 At the time of writing, direct stakeholder consultation is currently underway along with the collection of survey results from important stakeholders, to inform the strategy with critical insights. The input will be synthesized and used to develop and inform the strategy. Additional workshops and 1 on 1 interviews have also been scheduled to continue to collect feedback from our municipal partners (DEDP) and other internal stakeholders.

8.2 The consultant's final report will be delivered in Q2 of 2022 at which time staff will seek Council endorsement of the 2022-2026 Economic Development & Tourism Strategy and Action Plan. The strategy will form the foundation for staff activity over the coming five years to take action to build a prosperous and resilient economy in Durham.

9. Attachments

Attachment #1: Global Drivers of Change

Respectfully submitted,

Original signed by

Brian Bridgeman, MCIP, RPP
Commissioner of Planning and
Economic Development

Recommended for Presentation to Committee

Original signed by

Elaine C. Baxter-Trahair
Chief Administrative Officer

Durham Region Economic Development and Tourism Strategy and Action Plan (2022-2026)

Global Drivers of Change Report

October 2021

Introduction

- The Regional Municipality of Durham appointed Hatch to develop an Economic Development and Tourism strategy with a focus on actions and outcomes deliverable during the 2022-2026 period.
- This report constitutes one of the input deliverables which will help to inform the strategy development process. The report outlines eight trends that are shaping industries and regional economies.
- Some are visible today and others are emerging. These eight trends, like all economic trends over time, are cultivated by a) step-changes and improvements in computational power and technology, b) the shifting preferences of individuals and societies and c) the public policy framework.
- In the last year there has been a dramatic shift in individual and societal preferences as people adapted to the unexpected pandemic. Some of these behaviour changes will be permanent.
- Coinciding with this has been a stealth revolution in computational power that will transform existing manufacturing and production and create new scientific disciplines and supply chains.
- As places and regions like Durham consider the path to recovery, national governments have almost universally prioritised decarbonisation through fiscal incentives and regulatory mechanisms.
- The following pages outline each trend in detail and sets out the consequences which should be considered during Durham Region's strategy formation.

The Global Eight

The Global Eight framework

- The Region of Durham is one of the fastest growing municipalities in Ontario. It benefits from its proximity to Toronto, a global city, as well as a strong and autonomous sectoral base built on a strong industrial heritage. The region's heterogeneity – a mixture of small cities, towns and rural areas – creates an economically diverse base on which to further grow the economy.
- The drivers of global, national and regional economies are changing at rates not seen for generations. The COVID pandemic caused tectonic shifts in human behaviour. For instance, when Disney+ was launched during the global lockdown, it reached the same number of paying subscribers in five months as Netflix took eight years to achieve. The consumer digital shift has been enabled by a revolution in processing power and cloud storage.
- What is less visible, is the application of unhindered processing power to industry. Automation and the impact on workforce make-up is anticipated, but uncertain in terms of future impact. Alongside this are a series of innovations, fuelled by quantum processing, that will create new jobs and economic value in clusters yet to be defined.
- Each of the Global Eight will have a material effect on the economy of the Durham Region in the short to medium term. Each will impact the region's fiscal outlook, commercial profits, job availability and competitiveness as a region. By understanding these visible and not-yet-visible drivers, the Durham Region can prepare to optimise opportunities and create defensive strategies. The Global Eight drivers are set out in the sequence in which the impacts will be felt in Durham from the immediate to the medium-term:
  - Great consumer shift: changes in the way we consume
  - Supply chain nationalism: move away from just-in-time, global supply chains
  - Future of office goes hybrid: high-earners commute less
  - Portfolio restructuring: companies with cash start acquiring
  - Mass Tourism 2.0: tourism becomes regionally focused
  - Decarbonisation acceleration: infrastructure and transport goes green
  - Automation everywhere: production lines get reengineered
  - The Bio Revolution: global economy inputs go biological

Great consumer shift

The pandemic caused an irreversible shift in consumer shopping and spending behaviours

- During the pandemic, 75% of Canadians tried new shopping behaviours including buying online or using curb-side delivery.[1]
- Alongside this was a shattering of brand loyalty with 36% trying new brands. Established, trusted brands saw 50% growth in sales volume on products in essential categories. There was also a rise in local and regional food brands.[2]
- The shift to online shopping as a proportion of spending is being led by high-income earners and Millennials across all product categories. GenX experienced a similar shift, but the shift online was mainly for apparel, food take-out and gaming.[3]
- The emergence of the 'homebody' consumer economy will continue to increase demand for online entertainment, gaming, and home essentials deliveries.[4]
- It is predicted that a greater proportion of spending will be targeted at carbon neutral brands that purport to support net zero and subscription services.[5]

- It is difficult to predict how much volume will return to physical stores. It is likely that much of the shift will be permanent, with weekly household essentials being bought online and discretionary goods in physical stores or a combination of the two.
- Some activity will be forced online as fashion retail brands such as Inditex (owners of Zara) plan to close 1,200 stores by the end of 2021 and Gap closing most stores globally. This will lead to an unavoidable increase in retail vacancies.[6,7]
- Forward-looking retailers will adopt omnichannel strategies where physical stores complement online sales. An analysis of pre-pandemic credit card transactions found that a customer who spent $100 online spent another $171 in store the same month. Conversely, an individual who spent $100 in store spent $163 online in the following 30 days.[8]
- There will be a shift away from fashion and fast-retail spend in favor of experiential retail concepts including food, leisure, entertainment, preventative health and wellbeing.

Great consumer shift

The shift will be permanent and shopping malls and logistics networks will need to be rethought

Knock-on (secondary) effects:

- Reshaping B2C logistics: Every C$1 bn of online sales requires approximately 1.36mn sq ft of warehousing space. Omnichannel retailers are likely to convert warehouses serving stores to B2C distribution centres.[9]
- Convenience and speed is becoming one of the main points of competition as online retailers fight for market share, which means warehouses will move closer to customers. This is driving a rise in a) larger regional hubs and b) smaller urban logistics warehouses.

- Repurposing of the Shopping Mall: A rethink of the retail centre and shopping mall will be required. Footfall in Canadian malls was already in decline pre-COVID (down 22% in 2019) with revenues down 21% in FY2020. It is inevitable that a large number of shopping malls in Canadian towns and cities will no longer be commercially viable. Footfall traffic will remain lower than pre-pandemic and there will be lower demand by potential occupiers as retailers close physical stores.
- Some predict that food offerings could make up 50% of mall floorplates in the future. Many forecast food experiences will become the new visitor anchors, drawing in people as less relevant fashion retailers move out. Shopping malls will become destination-driven, refashioned as multi-purpose environments that offer extensive leisure activities.[10]

Supply chain nationalism

The pandemic made manufacturers aware of a lack of inventory and transparency over complex supply chains

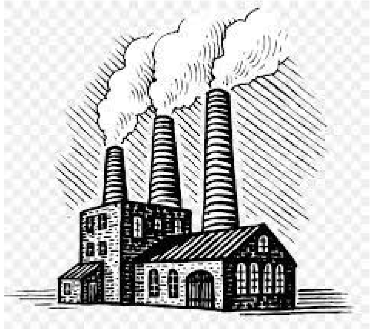
- Systemic supply chain shocks are growing more frequent and more severe. Supply chain disruptions lasting a month or longer now happen every 3.7 years on average, with several shocks like the combined US-China trade war and COVID demand and supply imbalance likely lasting over a year.[11]
- This is forcing manufacturers to fundamentally reassess supply chains. The industries that are most exposed are highly traded and heavily concentrated in a few countries. Companies can expect to lose more than 40% of a year's profit every decade, with the 2020/21 shock (an 'extreme event') estimated to wipe out 120% of a year's profits. [12]
- McKinsey estimate that 15-25% of global goods exports could potentially shift to different countries, regions or in-house over the next 3-5 years. The total value of this shift is estimated at $2.9-£3.6tn annually. The first movers are expected to be large multinationals with greater bargaining power, some of whom have over 10,000 separate suppliers scattered across the globe. [13]
- Manufacturers in Canada have turned to suppliers and subcontractors who narrowly focus on just one area, and those specialists, in turn, usually rely on many others. Such an arrangement offers benefits: firms have a lot of flexibility in what goes into the product and can incorporate the latest technology. But many firms were left in a vulnerable position when dependent on a single supplier for a crucial component or material. I
- Many firms, particularly multinationals, are actively rethinking supply chain strategies and considering more domestic production and sourcing. Some firms are asking suppliers to relocate and move closer to production lines and switching countries or regions in order to give them better oversight. Other firms are moving elements of production back in–house. [14]
- This presents both opportunities and threats to the Durham region as some firms may seek to co-locate suppliers, increasing regional jobs, whilst other Durham-based operations may be compelled to move elsewhere.

Supply chain nationalism

In the short-term, firms will build supply chain inventory, with the relocation of supply chains over the medium term

Knock-on (secondary) effects:

+ Increasing B2B inventory and warehousing space: Over the short-term, many manufacturers will secure extra supply chain inventory to hold in the interim. Location is driven by the availability of warehousing, which will be in high demand. The preference is for technologically-forward warehousing with temperature control and digital tools to monitor and manage obsolescence. Transparency over supply chain inventory will enable firms to better move inputs in order to flex production across sites. [15]
+ Repurposing production lines: New technologies already or soon will allow companies to lower their costs or switch more flexibly between the products they manufacture, rendering obsolete the installed bases of incumbent competitors or suppliers. Many of these advances also present an opportunity to make factories more environmentally sustainable. [16]



Future of office goes hybrid

Up to 25% of the workforce may move permanently to hybrid working models

+ It is estimated that between 5-7% of the workforce in advanced economies regularly worked from home before the start of the pandemic. The take-up of at home working was constrained by cultural and technology barriers that prevented widespread adoption. [17]
+ The pandemic broke through these barriers, setting in motion a structural shift where three to four times the number of people working at home pre-COVID are expected to move to hybrid working permanently - defined as working remotely from an office for 3-5 days a week. [18]
+ On this basis, it is estimated that up to 25% of the workforce will regularly work from home going forward. Fifty percent of the workforce will have no opportunity for remote work as jobs require travel (e.g. logistics), use of specialist equipment (e.g. CT scans) or production lines (e.g. manufacturing). [19]
+ There is a risk this will lead to a further bifurcation of the workforce with those who can work from home being the highly-educated, higher-earning minority and those who cannot, doing jobs that are at greater risk of automation in the medium term.
+ In the short-term, first-mover firms are aggressively formalising hybrid working as recruitment strategy in sectors that are labour constrained. JP Morgan has announced that all 60K staff globally will no longer be required to work full-time from the office as has Alphabet, the parent company of Google. [20,21]
+ In some cities this is already having a profound effect on urban economies with city centre rents dropping up to 20-25%. Conversely bidding wars are breaking out for housing in suburbs and smaller cities. [22]
+ Many companies are actively considering reducing floorplates in expensive regional and national HQ locations (such as downtown Toronto) and invest in a network of satellite offices to enable people to work near home (WNH) on days in the office. [23]
+ Two satellite office models are emerging – the stand-alone satellite office which is dedicated to one company and the shared satellite office where several companies co-locate.[24]
+ Companies will be monitoring productivity of staff closely with digital connectivity becoming a primary factor in house purchase decisions. [25]

Future of office goes hybrid

Over the medium term there will be a significant shift in consumption patterns and office real estate market dynamics

Knock-on (secondary) effects:

- Rise of the suburb: The structural shift to hybrid working for up to 25% of the workforce is impacting suburbs and smaller cities in two ways, both advantageous. Hybrid workers who are already living in suburbs and no longer commuting are driving a shift in consumption patterns. Less is spent on commuting and work wardrobe and this savings is converting into greater discretionary spending in local economies. This is leading to a diversification of local food, leisure and entertainment options.
- Many individuals and households living in expensive city centres, no longer constrained by the requirement to go to a physical office daily, are moving to suburbs and smaller cities. Forward thinking municipalities will shape their local offer to attract high-earning hybrid workers. Critical to this will be the availability of full fibre broadband and excellent local amenities. As hybrid workforces migrate to particular local geographies, companies will follow and invest in satellite offices, thus reinforcing the region's economic attractiveness.

- Repurposing CBDs: It is estimated that between 20-30% of prime office space in urban centres will become empty in the next 2-5 years. The impact will not be evenly distributed with acute pockets expected in tech-company and professional services dense areas. [26]
- In addition, the floorplate of existing offices will likely change as the reason staff use offices will change. There will be a greater emphasis on collaboration spaces and meeting spaces to enable client conference calls with high-speed connectivity.

Portfolio restructuring

COVID corporate winners are expected to go on an acquisition spree over the next 2 years

+ During the first 12 months of COVID, the top quintile of publicly listed US companies globally $240bn of economic profit, while the bottom quintile lost $400bn.[27]
+ It is expected that these top performing companies will, as in previous downturns, use this time to further build-out market dominance by acquiring competitors through mergers and acquisitions.
+ A second factor that will drive corporate acquisitions is the high-water availability of private capital. Globally, private equity (PE) firms are sitting on almost $1.5 trillion of 'dry powder'—that is unallocated capital. Many PE firms are using special-purpose acquisition companies (SPACs), which merge with a company to take it public, with a range of empty SPACs seeking acquisition targets.[28]
+ 2021/22 is expected to be a bumper year for mergers and acquisitions. This combined with other trends (e.g. supply chain nationalism) means that there are both risks and opportunities that regionally significant firms will be acquired with operations moved out of region, or into region. [29]
+ Many institutional funds are overexposed to real estate assets which may go through a fundamental shift (e.g. Future of the office goes hybrid) whilst still recovering from losses As missed rent payments and yields fell during subsequent lockdowns. [30]

Knock-on (secondary) effects:

+ **Green investment hunt:** Many funds are moving to thesis-driven, sector-focused strategies to strengthen geographic diversification. There will be a close-to-universal focus on ESG themes as governments and exchanges offer tax and fiscal enticements for investment in green stocks, green infrastructure bonds and real estate. Before COVID, 48% of funds applied ESG principles to one quarter or more of their portfolio. As of September 2021, this figure had jumped to 80%. [31]

Redefining mass tourism 2.0

Destination tourism will focus on regions with large cities and package holiday destinations missing out

+ Tourism made up 10% of global GDP in 2019 and was worth USD$9tn. Tourism volumes are not expected to pick up substantially until 2024 with some questioning whether it will return in the same way. Consumers are considering carbon footprint and companies question the value of conferences and non-essential business travel against environmental impact. [32]
+ Like many other trends assessed in this paper, the impact is bifurcated. High earners who have not lost jobs have increased savings during the pandemic of between 10-20%. Many in this demographic intend to spend savings on travel, but on fewer long-haul trips, but those trips will be for a longer duration and cover more than one region. [33]
+ The return of the mid-income demographic package holiday is expected to lag as this group has greater earnings uncertainty making them price sensitive as the cost of package holidays increase as tour operators, airlines and hotels recoup lost income. [34]

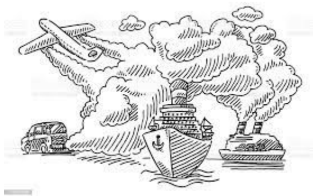
Knock-on (secondary) effects:

+ Rise of regional destination tourism: Regional tourism will become more significant with places competing by offering destination-led food, events and settings with a focus on the outdoors. Consumers have a renewed interest in exploring and understanding regional cultures and heritage in place of long-weekend and short trips out of country. [35]
+ Inspiration can be drawn from Australia and New Zealand, both countries that take intra-country regional tourism seriously and curate regional offerings based on the heritage, sports, agriculture and food culture of the region.
+ Destinations that rely on international, business and events tourism will face ongoing challenges. [36]

Decarbonisation acceleration

Supply of decarbonisation infrastructure and policies and demand for products will accelerate

- The slowdown of the global economy following the 2007/08 recession caused a sharp reduction in greenhouse gas emissions in 2009. But by 2010, emissions had reached a record high, in part because governments implemented measures to stimulate economies with limited regard to environmental consequences. [37]
- The post-COVID period will determine whether or not the world meets the 2015 Paris Agreement goal of capping global warming at a 1.5 degree increase. Governments around the world are structuring or progressing economic stimulus measures to help national economies recover that also actively decarbonise and contribute to the UN's Sustainable Development Goals (SDGs).
- Investment by national and regional governments in enabling infrastructure, energy and transport will accelerate the adoption of energy sources and transport modes by consumers, thus making new commercial products viable. [38]
- It is estimated that for every $1 spent by governments on decarbonisation economic stimulus measures, between $2-$3 of GVA is generated through direct and indirect jobs. [39]
- From a consumer perspective, decarbonising technologies are reaching price parity with traditional counterparts, the tipping point which will enable widespread adoption. For example, in 2022, the cost of ownership of an EV car will be the same as an internal combustion engine. In 2023, in some markets, the cost of a domestic battery and fuel cell combination will be on par with an oil boiler. [40]
- However, across many of these new consumer product categories there remains an expectations gap between demand (which will be lower) than supply. This is particularly acute in the EV market where the number of separate EV manufacturers appears unsustainable. Given the stock of private equity 'dry powder' (see Portfolio Restructuring) there is likely to be a consolidation of players through acquisitions and mergers. [41]



Decarbonisation acceleration

Supply of decarbonisation infrastructure and policies and demand for products will accelerate

Knock-on (secondary) effects:

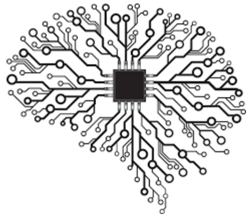
- Green Infra: Residents and companies have increasing expectations and expect infrastructure to be green if new and 'greened' if pre-existing. High-earning hybrid workers looking to relocate to suburbs and smaller cities are early adopters of technologies and products that are climate conscious, including enabling infrastructure. Innovative and climate-conscious companies seek manufacturing and commercial premises in places that actively reinforce those same values.
- Places that will be well-placed for the Decarbonisation Acceleration will have some of the following elements in place: [42]
  - Carbon capture and storage infrastructure around large industrial clusters
  - Large and community-scaled energy storage
  - Comprehensive EV charging network
  - Existing infrastructure for intraregional public and active transport

- Global chip shortage: The world is currently experiencing a global chip shortage which is expected to become only more challenging. The chip drought is a combination of unanticipated shock demand for personal electronic equipment during COVID (e.g. games consoles), a supply shortage of critical minerals required for chip manufacturing and exponentially rising demand for chips by new technologies. For example, the average modern car has 1,500 chips, an EV car about 3,000 and an autonomous EV car requires 11,250 chips. [43]
- Global cobalt/lithium shortage: As decarbonisation accelerates global demand for storage batteries is exploding. Uses include EV cars, domestic and commercial storage of renewable energy, agriculture, the list is endless. At present each battery travels over 20,000k miles through the end-to-end production cycle before it reaches the end user. Many end-users are looking for ways to simplify the supply chain and collocate cathode production with battery production as well as extract minerals from e-waste. [44]

Automation everywhere

The adoption of automation and AI is increasing post-COVID and moving to lower wage jobs

- Businesses historically have controlled cost and mitigated uncertainty during recessions by adopting automation and redesigning work processes to reduce the share of jobs involved. In July 2020, McKinsey surveyed 800 senior executives globally and two thirds said they were stepping up investment in automation and AI in response to current pressures and trends.[45]
- Before the pandemic, **net** job losses resulting from automation were concentrated in middle-wage occupations in manufacturing and some office work. Low- and high-wage jobs continued to grow unaffected. This is because low-wage jobs lost to automation (e.g. data entry clerk) could find an alternative job in a different sector (e.g. retail or home healthcare).[46]
- Because of the pandemic's impact on low-wage jobs, it is estimated that almost all growth in labor demand will occur in high-wage jobs. More than half of low-wage workers displaced through automation may need to shift to occupations in higher wage brackets which will require different skills to remain employed.[47]
- Given the expected concentration of job growth in high-wage occupations and decline in low-wage occupations, the scale and nature of workforce transitions required in the years ahead will be challenging.
- Before the pandemic, it was estimated that 8% of workers would need to find jobs in higher wage occupations. Post-COVID the figure has jumped to 10% of workers likely need to transition out of lower wage brackets. Roughly half of the 10% will need new, more advanced skills to move to occupations with higher earnings and to become protected from further automation.[48]



Automation everywhere

The adoption of automation and AI is increasing post-COVID and moving to lower wage jobs

- Making the future more opaque is the emergence of new jobs and disciplines. These could include technicians for real-time monitoring equipment, learning dataset builders, battery recycling technicians, and specialist manufacturing roles for novel biological materials and proteins. [49]
- Most of these disciplines will require a basic understanding of engineering, chemistry, computational math and software design.
- Many universities do not provide the interdisciplinary curricula for such jobs of the future.

Knock-on (secondary) effects:

- Lifelong learning infrastructure: Automation will roll across sectors and functions in waves as quantum computing is commercialised and learning datasets are completed, enabling AI to replace subjective decision making.
- It is inevitable that a proportion of the displaced workforce will move towards early retirement or seek non-traditional work. However, at least half of displaced workers will require new skills to obtain higher earning and more secure jobs. [50]
- This will drive demand for new lifelong learning infrastructure that enables individuals to obtain new skills as new technologies and applications are released. This will enable people to obtain jobs in higher-earning professions and will require non-traditional approaches to learning. Training on specific technologies will be in demand, and ideally led by the companies leading the innovations. [51]

The Bio Revolution

Non-biological inputs into the global economy are likely to become biological materials over the medium-term

- The sharp drop in the cost of sequencing DNA and the emergence of new techniques to edit genes and reprogramme cells is fuelling a new wave of innovation referred to as the Bio Revolution. Sectors from health and agriculture to consumer goods and energy will all be impacted.
- It is estimated that 60% of the inputs to the global economy could be, in principle, produced biologically *and* in a way that improves the performance and sustainability of the physical materials. Forty percent are biological materials including wood and animals; sixty percent are today non-biological (such as plastics and fuels) and could potentially be produced or subsisted using biology. [52]
- Over 400 use cases are currently in various stages of production and collectively are estimated to be generate $4tn a year over the next 10-20 years. [53]
- Labs around the world are now using genetically engineered microbes to improve the economics of fermentation and develop novel materials with previously unimaginable properties, like the ability of fabrics to self-repair.
- The timings for widespread adoption in materials and chemicals are difficult to predict, but adoption is inevitable. Scaling new innovations in materials, chemicals and energy has historically been difficult as cost is often the critical factor. Innovations are more expensive than the commoditised established products against which they must compete.
- Adoption in the use of novel fuels and battery storage is already well progressed. In the near term the use of engineered microorganisms to create advanced electrodes in next generation batteries is well-progressed.
- Food production puts a huge strain on the sustainability of natural resources. Raising animals for meat, eggs and milk generates 14.5% of GHG emissions. Biological sciences will help to meet this challenge in a number of different ways, including marker assisted breeding, genetic engineering, microbiome sequencing and modification. Genetic editing through CRISPR is already being applied to food and novel plant-based protein has already been commercialised. In the US, plant-based protein sales reached £1tn in 2019 and is expected to grow at close to 15% year on year. [54]

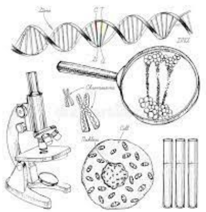
The Bio Revolution

Agriculture will move from a once under-loved sector to a driver of economic growth in many regions

Knock-on (secondary) effects:

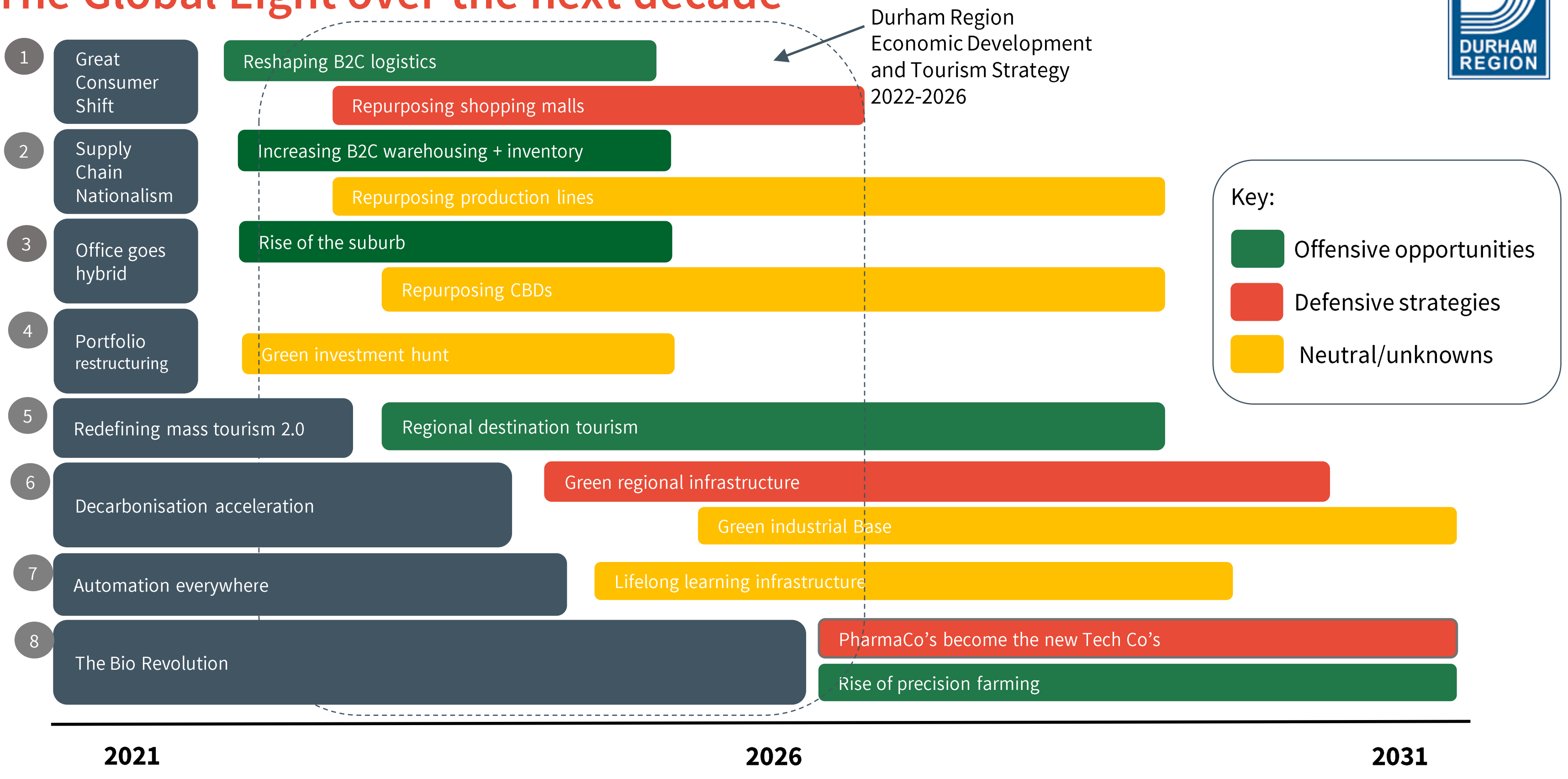
+ Rise of precision farming: Farming will evolve from a low-technology to a high technology sector. The production of high-value biological inputs, such as novel plant-proteins, will be undertaken on sites under precise controls. Sowing, watering, fertilising and harvesting are all computer-controlled. The soil crops grow in is constantly monitored. [55]
+ Farms are to become more like factories: tightly controlled operations for turning out reliable products, immune as far as possible from the vagaries of nature. Plants and animals raised on farms will be tightly controlled to enable precise genetic manipulation to enable change in a crop or stock animal's genome down to the level of a single genetic letter. [56]
+ This will make farming even more capital intensive and large companies are already land banking farmland in soil rich areas. At the same time, agriculture will have a greater GVA impact and will become more valuable to local economies.

+ Pharma goes industrial: The current leaders in the Bio Revolution are pharmaceutical companies with existing capabilities in genomic sequencing and the application of AI. For example, Bayer, the German pharmaceuticals giant is diversifying into materials and novel proteins. [57]
+ Many of these firms are currently seeking partnerships with universities with strong biology faculties in countries with enabling regulation. R&D facilities are being established close to agriculture and crop-yielding land. This presents an opportunity for places like Durham with rural land *and* STEM-focused higher education institutions.



Considerations for Durham Region

The Global Eight over the next decade



Understanding knock-on effects on the Durham Region

The Economic Development and Tourism Strategy should prioritise the first five Global Drivers

+ The first five Global Drivers are well evolved and understood. Over the coming years the secondary impacts of these drivers will be felt across the Durham Region, with some providing regional opportunities and others creating fundamental challenges.

The opportunities are:

+ Establishing sites within Durham Region as regional B2C, technology-driven logistics base for the wider Greater Toronto region.
+ Establishing sites within Durham Region as a regional B2B supply chain inventory warehouse base with, if appropriate, fiscal incentives. This could be accompanied by investment to support innovation in monitoring and obsolescence technologies, which will become standard.
+ The Durham Region has a significant opportunity to attract people and families moving out of downtown Toronto another cities as a result of hybrid working. These families tend to be higher-earning with higher local discretionary spending.
+ Areas of Durham like Whitby already have many Toronto commuters who will spend more time and money locally. Providing platforms to help local businesses diversify offers will help reinforce a community and character that is separate to Greater Toronto.
+ Durham region is primed to benefit from the rise of regional destination tourism. Consideration should be given to developing individual community offers with destination food and events to increase visitor numbers from the Greater Toronto region and wider Ontario.

The main challenges are:

+ Fewer shopping malls will be commercially sustainable going forward. This will create two challenges. First, working with landlords to develop strategies for how to repurpose commercially viable sites by expanding offerings to include entertainment and other leisure activities. Second, to find new uses for derelict sites.
+ There is a risk that some production lines will be moved out of the region as industries re-shore elements of supply chains. Active monitoring and early discussions may stave off some relocations.

Understanding knock-on effects on the Durham Region

The Economic Development and Tourism Strategy should prioritise the first five Global Drivers

+ The final three Global Drivers are already shaping corporate R&D spending. Forward-looking companies are beginning to adapt and integrate new technologies – from AI/automation to biological materials and green infrastructure.
+ It is difficult to predict when the technologies, use cases and underpinning finance will make them commercially viable and the door opens to widespread adoption. However, it is not a question of whether but when. To be on the front-foot, forward-looking places are already looking at ways to attract innovative companies in emerging sectors and industrial clusters like biological materials to secure future growth.
+ All three of these global drivers will catalyse new clusters from precision farming to residential energy renewable solutions. Durham Region has an opportunity to cultivate an ecosystem to draw in these nascent, but already economically valuable emerging clusters, using its existing assets. These include legacy engineering and industrial producers, higher education expertise with specialism in STEM (e.g. Ontario Tech), trained labour force and agricultural land.
+ One of the greater challenges Durham Region will need to consider, alongside almost all Canadian cities and regions, is a commercially viable means of introducing and increasing use of public and active transport throughout the region. Climate change will only become a more pressing issue and over the course of the next decade, as the workforce becomes more fluid, cities and regions will use environmental credentials to compete for high-value residents and attract companies.

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If this information is required in an accessible format, please contact 1-800-372-1102 ext. 2564

The Regional Municipality of Durham Report

To:	Planning and Economic Development Committee
From:	Commissioner of Planning and Economic Development
Report:	#2022-EDT-2
Date:	February 1, 2022

Subject:

Evaluating the Feasibility of Establishing a Durham Region Local Food Logistics Hub and Innovation Centre

Recommendation:

That the Planning and Economic Development Committee recommends to Regional Council:

A) That the Durham Region Local Food Logistics Hub ("Durham Food Hub") Business Case (Attachment #1), completed by the Mallot Creek Group evaluating the feasibility of establishing a food hub in Durham Region, be received for information.

B) That Council endorse in-principle the recommendation to pursue the development of a Durham Food Hub, as outlined in the Business Case, by seeking out suitable partnership opportunities with Durham's Area Municipalities and members of Durham's Local Food ecosystem, including Durham Farm Fresh, Durham College, and organizations within Durham's agri-food private sector, and to report back to Council in the future if staff finalize a suitable structure and implementation plan.

Report:

1. Purpose

1.1 The purpose of this report is to:

a. Update Council regarding the Durham Region Local Food Logistics Hub (Durham Food Hub) by providing an overview and sharing key findings from the completion of a business case analysis, and recommending actions for advancing Durham's local-food system; and

b. Seek Council endorsement to pursue partnerships and suitable structures and arrangements for the creation of a Durham Food Hub and the development of an implementation plan.

2. Background

2.1 The Economic Development & Tourism Division's Agriculture and Rural Economic Development Section supports the growth of the agri-food industry in Durham Region by working closely with agri-food organizations to develop and implement programs and initiatives designed to improve long term economic prosperity and create jobs in the industry.

2.2 The agri-food sector in Durham Region is diverse and growing with more than 4,000 agri-food related businesses employing 6,000 people. A Local Food Business Retention and Expansion (BR+E) project, completed in 2018, identified several actions to support further growth of the industry. Over 60 businesses across the local food supply chain were interviewed as part of that project. The information collected was used to develop an Action Plan with three main areas of focus: i) regulations and approvals; ii) engagement and education; and, iii) infrastructure support.

2.3 Businesses interviewed as part of the Local Food BR+E project identified the overall business climate as positive, with 86 per cent of businesses indicating that it is a good or excellent place to do business. Businesses were also very positive about their future with over half of survey respondents indicating they are planning to expand.

2.4 However, the report noted challenges related to gaps in local food infrastructure including a lack of food hubs, distribution networks, processing, and cold storage facilities. Lack of distribution and management systems were also identified as barriers to local supply and purchasing. Businesses expressed interest in co-operative delivery systems, a food hub, and a year-round farmer's market.

2.5 In November 2020, the Economic Development and Tourism Division prepared a Terms of Reference for the assessment of a potential food hub concept. Concepts that were to be investigated as part of this assessment included:

a) Agri-tech innovation lab and accelerator space, where businesses could tap into post-secondary support, where new agri-food technologies could be tested and developed, and where local agri-business sector start-ups could co-locate.
b) Permanent indoor, year-round farmers market for local agri-food producers east of Toronto.
c) Agri-education and event space for educational programming and agriculture career training for grade-school students, and agricultural-themed corporate and private events.
d) Food processing and packaging facility and food testing lab with equipment for rent: industrial-grade mixing, cooking, processing, packaging and boxing equipment for rent hourly by agri-food producers, and production staff. This could provide a solution to the financial barriers facing small agri-food producers who lack capacity to secure loans or make major investments in facilities and equipment.
e) Shared marketing, sales, logistics, cold storage, sorting, and distribution infrastructure, which could provide economies of scale, lowering cost to producers and end customers, and would make available distribution channels and collaboration opportunities not previously available.

2.6 Three main project deliverables were identified in the Terms of Reference:

i. Gathering input from agri-food producers, distributors and purchasers in the Region and surrounding area.
ii. Developing a concept and evaluating a business case for a Durham Local-Food Hub.
iii. Developing a strategic outline/direction for the progression and implementation of a food hub in Durham Region.

2.7 Economic Development staff issued a request for proposals (RFP) to secure professional advisory services. The Mallot Creek Group, a firm with experience in the agri-food industry and business case development for incubation/distribution facilities was the selected for the project. They began work in April 2021.

2.8 A stakeholder Steering Committee comprised of representatives from local agri-food producers, Durham Farm Fresh, Durham College and Ontario Tech University and the Ontario Ministry of Agriculture and Rural Affairs was formed to provide industry expertise and project guidance. A part-time Project Strategist was also retained to lead the delivery of the project.

3. Previous Reports and Decisions

3.1 In 2019, the Local Food BR+E project was completed listing several recommendations to support the growth of the agri-food sector. The Local Food BR&E Action Items were reprioritized in October 2020 (#2020-EDT-8) due to evolving industry needs resulting from the pandemic. A subsequent implementation status update was delivered to Planning and Economic Development Committee in October 2021 (#2021-EDT-6).

3.2 The Economic Development and Tourism Division noted in its prior year 2021 Busines Plan and Budget submission that a strategic priority for that year was to complete a feasibility study and business case for a year-round farmers market and/or local food hub. Funds to undertake this initiative were included in the 2021 approved budget.

3.3 On June 11, 2021, Staff delivered an information report (#2021-INFO-63) with a status update on the project.

4. Importance of the Local Agri-Food System and Consumer Demand

4.1 The demand for locally sourced food products and interest in sustainable food systems grows each year. The last two years have emphasized the interdependence and fragility of the global food supply chain. Consumers are looking to purchase local food products they feel align with their own beliefs around food security, climate change, sustainability, and locality.

4.2 The COVID-19 pandemic has highlighted changes to traditional wholesaling, retailing and food service operations. Issues related to the distribution and logistics of food has underscored the need for robust systems for the growing, processing and distribution of food to serve the needs and demands for our local population.

4.3 Background research for the project noted that consumers now want to be closer to the source of their food production than ever before. Although there will continue to be demand for convenience among consumers, with most residents preferring to source all their groceries from one location, a recent study shows that 6 in 10 Canadians say they trust food produced in Canada more than they do food produced elsewhere.

4.4 This trend has been on the rise for the past 4 years (Nourish Network, 2021). In a 2021 Canadian Grocer survey, 83% of respondents indicate that “locally sourced” is an important part of their shopping choices and 42% (of the 83%) indicate that it is "really important". Further studies show that locally sourced food is seen by consumers as a "sustainable choice". In a 2021 report titled 'The Future of Food", 65% of millennials report that they expect locally sourced options and are willing to pay more for them.

4.5 Given the forecasts for population growth in Durham, the composition of the agricultural sector in Durham Region, and the growing demand for locally grown food, research for the project note the following conclusions:

a. There will be on-going, and likely increasing demand, for locally grown agri-food products.
b. The farming community in the Region is well established and already meeting some of the demand for local products.
c. There is an opportunity for local producers to expand their capacity and operations to meet the growing need and address larger trends related to food security and environmental issues.
d. The development of a Durham Food Hub would be an impactful way to fulfil the demand for local product. However, it will require efforts to address barriers that affect local farmers' ability to do so.

5. Business Case Analysis: Key Themes

5.1 Food hubs can be very diverse in their structure and service offerings. While some may focus on processing and regulatory compliance (quality assurance, labelling, etc.), others may be more centered on transportation, product aggregation and storage. Regardless of service, all food hubs seek to fill gaps in a food systems infrastructure unique to that geography.

5.2 Over the last decade, the concept of a food hub, indoor farmers' market, and other similar infrastructure to support local food producers has been explored multiple times in Durham Region by various groups. This past work was evaluated and considered throughout the course of this business case analysis.

5.3 While all of the potential activities listed in Section 2 of this report were examined, the project consultation and analysis found that the best solution overall would be to establish a centrally located facility with a business management structure facilitating the aggregation, storage, processing, distribution, and/or marketing of locally/regionally produced food products.

5.4 Under the guidance of the Steering Committee, the Mallot Creek Group undertook research and consultation as the first phase of the business case analysis to determine the needs of the industry. This included industry/background research, surveys with agri-food producers/processors in the region, key interviews, and regular meetings with the Steering Committee.

5.5 As part of the consultation and research, the following key themes and risk factors were identified:

- Accessibility
- Time Commitment
- Affordability
- Awareness
- Scale and Diversity of Service Offerings
- Ownership and Operation
- Economics

5.6 The primary conclusion drawn from this stage of the project is that there is a gap between the opportunity to increase production to meet growing consumer demand, and the capacity of local farmers to successfully capture the opportunity. This led to the conclusion that there is a need for cost effective aggregation/distribution and increasing sales channels and volumes for the farming community. The Steering Committee decided to focus the next phase of the project, the financial analysis, on aggregation/sales.

5.7 It should be noted that the decision to focus the remainder of the project on an aggregation and sales-based food hub means that other functions often associated with food hubs were no longer considered in the business case analysis.

6. Local Food Hub Concept and Business Case Analysis

6.1 The Durham Region Food Hub is envisioned as a not-for-profit corporation that will solve sales, marketing, and distribution value chain gaps for local farmers and deliver to its customers, fresh, quality, verifiably local product, and a convenient purchasing experience.

6.2 The proposed concept for the food hub and business case analysis is:

a. The Durham Region Food Hub will connect local producers with consumers by providing distribution, aggregation and sales services, picking up product directly from the farm, aggregating it at pop-up retail spaces, and selling directly to the consumer.

b. As the local produce supply grows and there is viable interest from wholesale customers, a leased warehouse can be secured for aggregation and storage to facilitate larger distribution accounts such as grocery or food service.

6.3 The Durham Food Hub is proposed to include the following key components:

a. Governed by a not-for-profit corporation
b. Procuring, aggregating and selling local agricultural products to allow farmers to focus on the efficiencies of their operation
c. Promoting local agriculture through a variety of marketing efforts
d. Emphasizing quality and food safety
e. Phasing growth from a small-scale direct-to-consumer sales model to a larger scale wholesale distribution model.

6.4 The Mallot Creek report recommends that the food hub be structured as a non-profit organization primarily because the financial forecast, while viable and sustainable, would not likely generate a profit substantial enough to attract a private sector venture.

6.5 The business case analysis notes that growing the hub in a phased manner over a five-year period will be critical to the long-term success of this venture. The analysis suggests that low capital investment in the early stages will ensure that the region can build strong partnerships and for the Durham Food Hub to form a network of suppliers and customers sufficient to manage volumes and maintain acceptable quality standards.

6.6 The business case analysis proposes two project phases:

a. Phase 1 (Start-up Phase): The primary purpose of this phase is to strengthen the organization’s supply network and build relationships with local farmers that ensure a mutually beneficial partnership. Secondarily, the business should be concerned with generating consumer interest and familiarity through a marketing campaign and ensuring a convenient shopping experience. Finally, ensuring product quality and consistency.

Objectives:

- Build strong, mutually beneficial relationships with local farmers
- Increase awareness of local food
- Increase the sale of locally grown food
- Assure food quality and food safety

Strategies:

- Procure food from local farmers
- Pick up orders directly from local farms
- Partner with agri-food stakeholders in the development of a marketing campaign
- Sell food direct to consumer at temporary “pop-up” retail spaces throughout the region
- Develop a quality assurance program

b. Phase 2 (Growth Phase): As the initiative begins to grow under a strong network of producers, the Durham Food Hub could look to expand customer segments to include retailers, restaurants, institutions, and online markets. This will require a permanent space to store product from various suppliers, fulfill customer orders, and potentially even begin to package individual products under a common brand. A change to this customer base (retailers, restaurants, etc.) is a significant shift in the business’s operation as there would then be a higher expectation of quality control, a responsibility for efficient warehouse operation and order picking, larger volumes, and the introduction of delivery to customer stores or warehouses.

Objectives:

- Begin to service established retail, foodservice, and online market customers
- Add additional products (frozen meat)
- Establish branded packaging
- Continue to grow the sale of locally grown food
- Improve food quality and food safety protocols and documentation

Strategies:

- Lease a ~10,000sqft warehousing space for aggregation, storage and order fulfillment
- Expand transportation fleet for product delivery as well as continued on-farm pick-up
- Develop a sales team
- Develop an inventory management program
- Implement a more robust FS/QA Program
- Explore the suitability of inventory management software

6.7 Further detail on phases 1 and 2 can be found in the Business Case, Attachment 1.

6.8 In development of the implementation plan, staff may determine that the most viable option is to advance directly to phase 2 at the time of launch.

6.9 Critical to the success will be the identification of partners or implementation leads from Durham's agri-food sector, including Durham's Area Municipalities, Durham Farm Fresh, Durham College, and private sector organizations within Durham's agri-food sector. It is not contemplated that the Regional corporation would perform the contemplated business activities of the Durham Food Hub, rather that it would act in a supporting and/or oversight role and rely on partners from the agri-food sector to lead business activities.

6.10 Mallot Creek has developed a 5-year top line financial forecast. The forecast identified a set of variables and assumptions and is split into a start-up and five-year financial forecast. The financial performance of comparable food hubs across North America were considered in their development. The yet-to-be-developed implementation plan, availability of senior level grant funding, and partnership arrangements will impact the financial forecast. The detailed proforma has been developed by the consultant and can be made available upon request.

6.11 The main sources of revenue included in the forecast stem from the sale of product to the consumer and business clients as well as membership fees for those participating in the food hub.

6.12 The main expenses include salaries for a project manager and hourly labour as needed, web site development and robust marketing activities, leasing and operation of refrigerated vehicles, leasing of equipment (tent) to support sales events and eventually the lease of warehouse space.

6.13 The financial profit/loss forecast concludes that a Durham Food Hub could be financially viable and sustainable. During the five-year start-up and growth period revenues are projected to climb to just over $1.3 million. Year five profit is projected to be approximately $50,000.

6.14 The forecast estimates that $300,000 to $400,000 would be required as operating capital to begin implementing the project; however, this estimate will need to be refined as the implementation plan is developed. The pro-forma analysis includes debt services for securing a line of credit. However, this may be difficult to secure and alternatives to debt financing will be prioritized.

6.15 This report does not include a detailed implementation plan; further work is required to clearly determine next steps towards establishing a food hub in Durham Region based on the completed business case analysis. It will be vital to have the agri-food industry's involvement and support throughout the next phases of the project and conversations with industry partners and stakeholders is ongoing. Staff intend to provide a future update to Council regarding a more detailed implementation plan.

6.16 Throughout the development of the business case, Staff have provided regular high-level updates to the Durham Agricultural Advisory Committee.

7. Implementation Opportunities

7.1 Throughout the project, the consultants and staff had the opportunity to discuss and refine the food hub concept and how it relates to the aspirations and future of several stakeholders. It became clear that several players have objectives for their organizations that are aligned with and would complement the establishment of a Durham Food Hub.

7.2 Immediate next steps towards the development of an implementation plan for a food hub are as follows:

- Identify potential partners to support the establishment and operation of a Durham Food Hub and continue to build relationships with key stakeholders such as Durham College through their work to establish a Centre for Excellence in Sustainable Urban Agriculture, and Durham Farm Fresh Association. Initial discussions are also underway with Local Area Municipal partners.
- Research and apply for senior level grant funding opportunities.
- Evaluate and explore potential real estate opportunities that may be suitable once an implementation plan has been established.

8. Relationship to Strategic Plan

8.1 This report aligns with/addresses the following strategic goals and priorities in the Durham Region Strategic Plan:

a. Goal 3: Economic Prosperity
b. Item 3.5: Provide a supportive environment for agriculture and agri-food industries

9. Conclusion

9.1 This report outlines the findings from a business case analysis exploring options and viability of a Durham Food Hub. This concept of establishing a food hub or similar local food infrastructure has been explored in Durham by various groups several times over the preceding years. Given the level of stakeholder feedback and analysis that contributed to this business case, it represents the most viable option to-date of all concepts considered.

9.2 A Durham Food Hub will address the current needs of agri-food producers in the region to expand their operations to meet current and increasing consumer demand, as well as capitalize on larger trends and opportunities.

9.3 The proposed structure in the attached business case analysis envisions a Durham Food Hub that will connect local producers with consumers by providing distribution, aggregation, and sales services. The financial profit/loss forecast contained in the business case concludes that a Food Hub focusing on local farm product aggregation and sales could be financially viable and sustainable.

9.4 As next steps, staff will continue to work with industry stakeholders to identify potential partnership opportunities for implementation of the concept, research and apply for senior government grant funding, and evaluate potential real estate options for phase 2 of the project. Staff will report back to Council in the future if a suitable structure and implementation plan is finalized.

10. Attachments

Attachment #1: The Mallot Creek Group: Durham Food Hub Business Case

Respectfully submitted,

Original signed by

Brian Bridgeman, MCIP, RPP
Commissioner of Planning and
Economic Development

Recommended for Presentation to Committee

Original signed by

Elaine C. Baxter-Trahair
Chief Administrative Officer

Attachment 1

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Durham Food Hub Business Case

20233

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November 11, 2021

CONTENTS

Figures

Tables

1.1 Executive Summary

The following report comprises a business case exploring the viability of a food hub in Durham Region. A food hub, in this context, refers to a business facilitating the aggregation, storage, distribution and marketing of regionally produced food. In order to construct a business case for the project, Mallot Creek Group (MCG) and a team from the Region of Durham, assessed the current state of Durham's agricultural demographics, relevant consumer food trends and issues facing regional producers. With the current environment established, the group began to define a business opportunity, complete with a top line set of pro forma financials, that may interest the Region of Durham in working to support their local food value chain.

From the analysis of the current environment (Section 4.0), the following key conclusions were drawn:

- The farming community in Durham is well established in a diverse set of agricultural practices
- There is a growing demand for locally grown food in Ontario and abroad
    - This trend is likely to continue to grow in the wake of the COVID-19 pandemic
- Issues facing small and medium sized farms prevent many from realizing the true cost of their agricultural efforts
    - Many smaller farmers do not have the time or expertise to incorporate marketing activities or the delivery of product in to the already demanding work of growing and harvesting crops. As a result, margins are very thin
- There is a disparity between the opportunity to increase production to meet growing consumer demand and the capacity of local farmers to successfully capture this opportunity

From the proposed business opportunity (Section 6.0), the following key conclusions were drawn:

A food hub, focused on alleviating challenges facing local farms, may be a vehicle to connect local growers with larger distribution channels

- There is an opportunity for a *Not-for Profit* regional food hub providing distribution, aggregation and sales services
    - It will be critical to success that the business be grown in 2 phases (outlined in Section 6.0)

From top line financial forecasts (Section 7.0), the following key conclusions were drawn:

- It is anticipated that the business will require significant financing in the early stages
- It is anticipated the that business will not hit a point of break even until at least its 5th year of operation
- Steps will need to be taken to secure producer "buy-in", given the importance of supply

- A more detailed business plan will need to be developed before a final go/no go decision is made

A list of further critical success factors has been provided in Section 8.0.

2.0 ACKNOWLEDGMENTS

Mallot Creek Group would like to thank the Region of Durham for their support in the completion of this project. The following project team members were active in managing this project's delivery and contributed critical input in the development of this report.

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The following Project Steering Team participants are respectfully recognized for their valuable feedback and contribution to guide this study to successful completion:

Project Steering Team:
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Paul Brooks, Brooks Farm
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Dr. Akramul Azim, Ontario Tech University
Mary Ann Found, Found Family Farm/Durham Farm Connections

Also, to all the individual producers, processors, retailers and agri-food related association representatives that contributed to the consultation process and communicating this project to the community, we are grateful for your valued participation, comments, and suggestions.

3.0 PROJECT BACKGROUND

Mallot Creek Group Inc. (MCG) was retained in March of 2021 to assist Durham Region in developing a business case for a 'local food logistics hub and innovation center'. Motivation for this project arose from Durham's recognition of the importance of the local agri-food sector, an increase in demand for locally grown food in the wake of the COVID-19 pandemic and disruptions to conventional food supply chains throughout Canada. The Region saw an opportunity for a business that might help bolster their local food system at various points in the value chain.

There are hundreds of independently-owned, local-food producers in Durham, and thousands in the municipalities to the east and north, who are growing and producing a wide variety of products such as heritage apples, honey, vegetables, eggs, beef, chicken, pork, maple syrup, hops, mushrooms and fruit. Many of these agri-food businesses have been impacted by the COVID-19 pandemic, primarily in scaling up their operations to meet new demand. Most businesses currently do not have the capacity or capability to implement the logistical solutions needed to increase their urban customer base and grow into supplying larger grocery chains and food service establishments.

Since the onset of COVID-19, Durham's local food producers have seen a significant increase in demand for their products. It is the Region's intention to explore the viability of providing avenues for selling, storing and distributing locally grown food through a food hub to provide farmers with the opportunity to further grow their businesses and focus on what they do best: growing and creating high quality food for their community. A food hub, which also supports innovation may give farmers and producers an opportunity to explore new ways to diversify and expand their businesses in ways not currently available or accessible.

Durham Region suggested the following possible vision for the operation of a food hub in an RFP issued as part of this project: "A locally operated food hub would offer short-term relief and recovery support to the Agri-food sector located east of Toronto. It would also provide a platform in the medium-term for small local-food producers to scale their operations and reach new urban markets through shared logistics and value chain resources. Selling food directly to members of the community benefits the local economy and regional culture by connecting urban and rural residents. This hub will serve to connect regional consumers with agriculture and the farmers who are growing their food."

It is important to note that in the initial stages of this project, Durham Region was exploring the possibility of serving as many aspects of the food value chain as possible. Meaning the project group sought out to identify the needs of producers, processors, distributors, and consumers, and suggest possible solutions. As the project progressed, a more prominent focus was placed on supporting producers for the following reasons:

1. It more clearly aligned with the vision proposed by Durham (quoted above, "connecting regional consumer with agriculture and the farmers who are growing their food")
2. It helped to narrow the project scope, increasing the team's ability to make meaningful recommendations
3. There was difficulty engaging processors (a processor survey was issued with no response)
4. A local food economy requires local sources of food and thus a robust network of producers – starting with issues facing the foundation of a food system made practical sense

3.1 Food Hub Definition

food hub's can be very diverse in their structure and service offerings. While some may focus on processing and regulatory compliance (QA, labelling, etc.), others may be more centered on transportation, product aggregation and storage. Regardless of service, all food hubs seek to fill gaps in a food systems infrastructure.

In November 2020 the Economic Development branch prepared terms of reference for the assessment of the food hub concept. It notes that in addition to infrastructure, the project include could also include the following components:

- Agri-tech innovation lab and accelerator space, where businesses could tap into post-secondary support, where new agri-food technologies could be tested and developed, and where local agri-business sector start-ups could co-locate;
- Indoor, year-round farmers market for local agri-food producers based east of Toronto;
- Agri-education and event space for educational programming and agriculture career training for grade school students, and agricultural-themed corporate and private events;
- Food processing and packaging facility and food testing lab with equipment for rent: industrial-grade mixing, cooking, processing, packaging and boxing equipment for rent hourly by agri-food producers, and production staff that could be used on an hourly basis;
- Shared logistics, cold storage, sorting, and distribution infrastructure would provide economies of scale, lowering cost to producers and end customers, and would make available distribution channels and collaboration opportunities not previously available;
- Processing & packaging facilities and equipment of all types, available for use by-the hour, would provide a critical solution to the financial barriers facing small agri-food producers who lack capacity to secure loans or make major investments in facilities and equipment.

All of components noted above were examined during the course of the project and with the steering committee and will be discussed in the accompanying Regional report. The project consultation process led us to focus on opportunities related to product aggregation and increasing the sales of local products. This is the focus for the following business case.

For the purposes of this project' business case a food hub is defined as:

> A centrally located facility with a business management structure facilitating the aggregation, storage, processing, distribution, and/or marketing of locally/regionally produced food products (Barham, 2017)

The above definition works to provide a context for readers as the concept of a food hub is referenced throughout this report. However, please note that this is by no means the only interpretation of what a food hub is.

4.0 ANALYSIS OF CURRENT ENVIRONMENT

The following section is intended to put the proposed business opportunity of a food hub in context of the current market environment of Durham Region. In order to achieve that, we explore the agricultural demographics of Durham, current challenges facing small and medium sized producers, the rise in demand for locally sourced food as a consumer trend and the potential for a food hub to fill a gap in agri-food infrastructure.

It is important to understand that the analysis contained in Section 4.0 places a particular focus on agriculture within the region, specifically on fruit and vegetable farming. While livestock farming is discussed in later sections, there was a decision early in the project to narrow focus in on what best aligns with this project's purpose. As touched on in Section 3.0, the purpose of the business being considered is to *connect regional consumers with agriculture and the farmers who are growing their food* - and in that effort, this project's proposed business case is presented in response to the root causes of that disconnect.

4.1 Agricultural Demographics of Durham Region

Durham Region is the second largest agricultural product producer within the Greater Golden Horseshoe area following the Niagara region to which vineyards are the primary producers. When looking at the Region's distribution of farm products, we see that the two largest sectors are cultivation of animals and grains/oilseed. These two sectors make up 909 of the 1,323 farms that reported in the 2016 region study[1] or roughly 2/3 of all farms in the region. The remaining 1/3 of farms are split between vegetable/fruit cultivation and greenhouse operations either producing flowers (28) or mushrooms (8) with 46 farms operating as nurseries for fruit and nut bearing trees (OMAFRA, 2016). We see in Table 1 how many agricultural operations there are in the region by industry group and how the number of those operations has changed in the last 5 years. Cattle cultivation has decreased significantly in the region as well as the total number of farms (1,454 in 2011). There has been a dramatic increase in farms operating to produce vegetables and melons – as below, the number of farms in this industry group has increased by

[1] Reference

nearly 50%. Another production increase that is worth noting (not captured directly in the table below) is the increase in apiculture. Bee keeping farms have increased from 43 to 61 farms (42%), representing one of the more significant examples of growth.

When looking at the categories of other animals and other crops we find that neither are strong contributors to the food chain. Other animals are mostly referring to the equestrian industry and the other crops is primarily hay but also includes herbs, spices, peanuts and hops.

Industry Group	Durham	ON	% of ON	% 5 Year Change
Vegetable and melon	59	1,856	3.18	47.5
Fruit and tree nut	43	1,362	3.16	2.38
Oilseed and grain	278	16,876	1.65	1.83
Hog and pig farming	3	1,229	0.24	0
Poultry and egg	48	1,816	2.64	0
Greenhouse / floriculture	101	2,050	4.93	-9.82
Sheep and goat	39	1,097	3.56	-11.36
Other crop farming	211	7,187	2.94	-11.72
Other animals	277	5,902	4.69	-14.24
Beef cattle	183	6,786	2.7	-19.03
Dairy cattle and milk	81	3,439	2.36	-22.12

Table 1 - Durham Region Agricultural Operations by Industry

Another notable agricultural demographic of the region is farm size. Of the 1,323 farms, 855 are under 130 acres (65% of total farms). The number of farms under 10 acres has increased by 10% while the farms above the 760 acres size have increased also indicating large farm buyouts/mergers. We also see a strong desire for direct-to-consumer sales via farm gate, kiosks or u-picks with 205 of the 232 (88%) reported farms using these alternative sales methods.

The demand for locally produced products should continue to increase given the forecast for future population growth in the Region. The region's current population demographic is 639,490 (OMAFRA, 2016) split between 227,905 households. The Region's population is expected to increase to over 1 MM by 2041. In addition, the market for local produce is not confined just to Durham Region but could also serve the eastern GTA and surrounding communities to the north and east.

The average Durham household income is $106,886 but can vary vastly depending on the township. Uxbridge has the highest household income with $124,982 and the lowest at $84,871 attributed to Oshawa. On average, a household in in the Durham region will spend 11% of their income on food expenditures (Table 2) with $8,508 purchased from stores.

Average Household Income	$106,886
Total Food expenditures	$11,863
Food purchased from stores	$8,508
Bakery products	$858
Cereal grains and cereal products	$484
Fruit, fruit preparations and nuts	$847
Vegetables and vegetable preparations	$1,039
Dairy products and eggs	$1,350
Meat	$1,680
Fish and seafood	-------
Total Food purchased from restaurants	$3,355

Table 2 - Durham Region Municipality at a Glance

Of the food expenditures, $1,886 is spent on fruits and vegetables each year and $1,350 is spent on dairy and eggs. Meat makes up $1,680 of the total spent and could be another item that a local aggregate could provide. Table 3 shows how many acres are currently farmed for each of the major produce and how many acres are required to supply the region over the growing season (3 Months). For the most part, the region is capable of meeting the local demand in Durham for all major produce items except for peaches, which are vastly underrepresented in the farm demographic, and strawberries which are close to meeting the demand requirements.

Produce (Fresh)	Annual (kg/cap)	Current Acres	Required Acres (3 Month)	Yearly Required Acres
Strawberries	3.18	106	160	640
Sweet Corn	3.07	515	109	436
Tomatoes	8.19	48	44	177
Potatoes	22.71	647	421	1,685
Green Peas	0.18	42	15	60
Peach	1.12	3	53	212
Beans (Green & Wax)	0.91	82	50	200
Apples	10.16	1587	152	609
Pumpkins	3.26	276	68	273
Cauliflower	2.87	208	65	260

Table 3 - Durham Region's Produce Consumption

The most prominent fruit and vegetable produce grown in the Durham region is apples by far. Apples are grown in the largest volumes and without a doubt can supply the region's demand for the produce even when looking at the yearly required volume (**Figure 1)**. Sweet corn is another crop that is already produced in a great enough volume to meet the demand of the region's consumption on a yearly basis. Two other vegetables that are desired in the region and are close to meeting the required acreage are the pumpkin and cauliflower cultivation. Pumpkins are typically a seasonal purchase but the yearly demand is met based on the acres required to grow. As for Cauliflower, the seasonal demand is easily met, but the yearly requirement will struggle to be achieved.

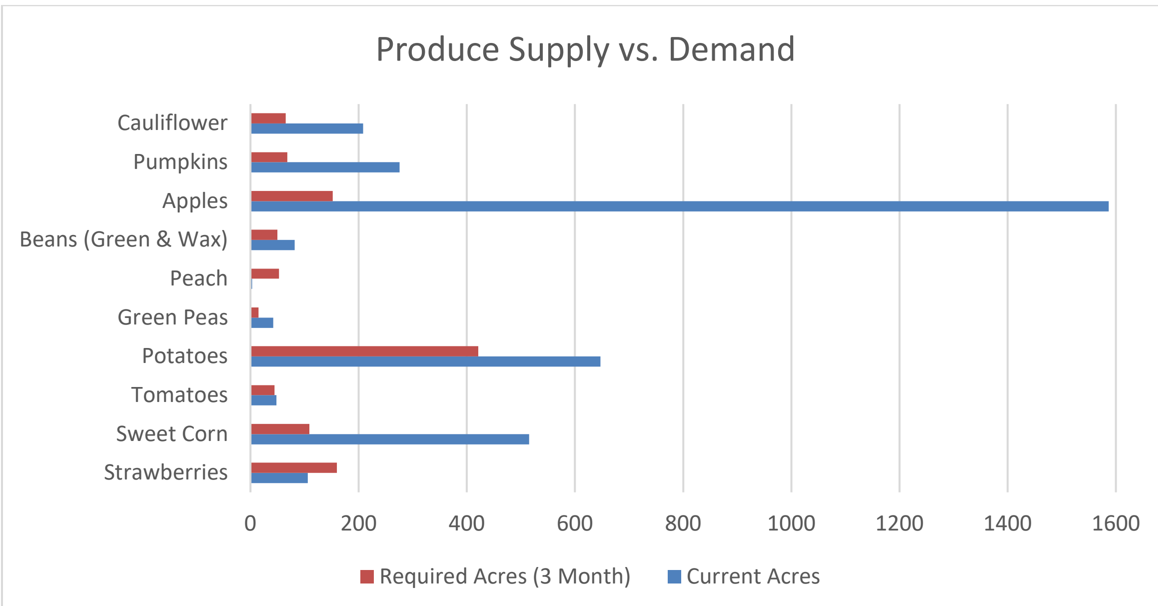

Figure 1 - Durham Region Produce Supply vs. Demand

The previous section has broken down the agricultural demographics of Durham Region and presents a summary of farm numbers by industry group, average household spending, annual produce volumes and produce supply vs. demand. These tables and figures – alongside other analysis in Section 4 – help contextualize factors driving our business case.

4.2 Demand for Locally Grown Food

In addition to the existing and potential future demand for locally grown products within the Region, there are a number of larger and evolving consumer trends associated with an increased demand for locally grown food across Canada. The following section will provide a brief overview of relevant statistics, delve into what consumers are starting to prioritize and identify age groups that are changing how we think about our food supply.

Consumers now want to be closer to the source of their food production than ever before. A recent study shows that 6 in 10 Canadians say they trust food produced in Canada more than they do food produced elsewhere. This trend has been on the rise for the past 4 years (Nourish Network, 2021). In a 2021 Canadian Grocer survey, 83% of respondents indicate that "locally sourced" is an important part of their shopping choices and 42% (of the 83%) indicate that it is “really important”. Further studies show that locally sourced food is seen by consumers as a “sustainable choice”. In a 2021 report from Maru/Matchbox titled ‘The Future of Food”, 65% of millennials report that they expect locally sourced options and are willing to pay more for them. Figure 5 shows a number of food claims consumers are willing to pay more for (Maru/Matchbox, 2021).

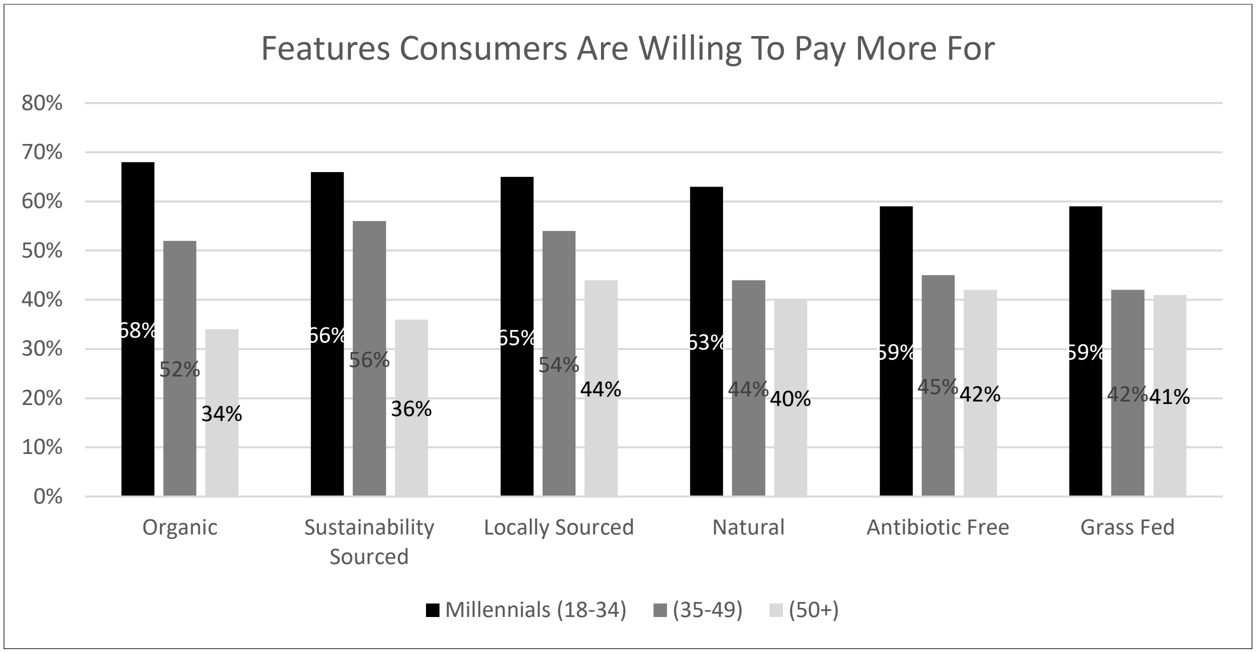

Figure 2 - Product Features Consumer are Willing to Pay More For

Exacerbated by the COVID-19 pandemic, there has been a growing interest in food production that is associated with positive social and environmental change. There are growing concerns about the environmental impacts of industrial agriculture, the treatment of workers, and animal welfare. Consumers are beginning to understand that there are different types of farming and want to support that which aligns with their own standard of what they believe to be good for the planet and general population. As above, the local movement is intricately connected to environmental sustainability in the consumers eyes, as products undergo less transportation. Thirty percent (30%) of Ontarians will change stores for locally sourced and sustainably harvested produce and 40% say they would spend more on locally sourced items but require the retailers to educated on the food’s origin either through promotions or by more prominently displaying products that are from withing the region (Deloitte, 2021).

Above notwithstanding, convenience continues to be a prominent trend among all Ontario consumers. Sixty-eight percent (68%) of Ontario residents prefer to pick up all of their groceries at one location. Beyond picking up groceries at one location, convenience has also taken the shape of online grocery orders and direct to home delivery (Deloitte, 2021). Most major banners across Canada have invested in their e-grocery businesses, including: Loblaws, Longo's, Metro, Safeway, Save-On Foods and Walmart (Powell, 2021).

From the above analysis considering agricultural demographics of Durham region (4.1) and the growing demand for locally grown food (4.2), the following conclusions can be drawn:

- There will be on-going, and likely increasing demand, for locally grown agri-food products
- The farming community in the Region is well established and already meeting some of the demand for local products
- There is an opportunity for local producers to expand their operations to meet the need and also address larger trends related to food security and environmental issues.

Grasping the opportunity to fulfil the demand for local product will require efforts to address barriers that affect local farmers' ability to do so. This is discussed below in section 4.3.

4.3 Challenges for Small and Medium Sized Producers in Durham

Determining the challenges that face local producers was a large focus of this project's scope and one that MCG and Durham's team identified as a fundamental aspect of this project. This section is informed by the following sources and methods:

1. Producer Survey Results
    - Conducted for the purposes of this project
2. Key Informant Interviews
    - Conducted for the purposes of this project
3. The Durham Region Local Food Business Retention and Expansion (BR&E) Project
    - Concluded May 2019

Producer Survey Results

As Durham Region explored the feasibility of a food hub aimed at supporting the needs of local agri-food businesses, a producer survey was composed and distributed to help gather input from the agricultural community. Since food hubs are intended to respond to the specific needs of the region, gathering firsthand accounts of issues and opportunities was important to this project's objectives.
Durham's producer survey sought to better understand producer capabilities, interests, barriers to success, and willingness to support the establishment of infrastructure that connects their products to local consumers.

The Durham Region producer survey was released June 4th, 2021 and was successful in obtaining 31 responses before closing in on Jun 28th. Given Durham is home to approximately

1,300 farms, results from the survey cannot be seen as statistically significant to the region. However, for the purposes of this project, results were used to help guide further analysis.

The following results work to illustrate challenges for small and medium sized producers in Durham[2].

When asked about their desire to expand, 89% of producers said they would expand their operation if given the opportunity. Such a response provides insight into the fact that producers do have aspirations for growth should barriers begin to be removed.

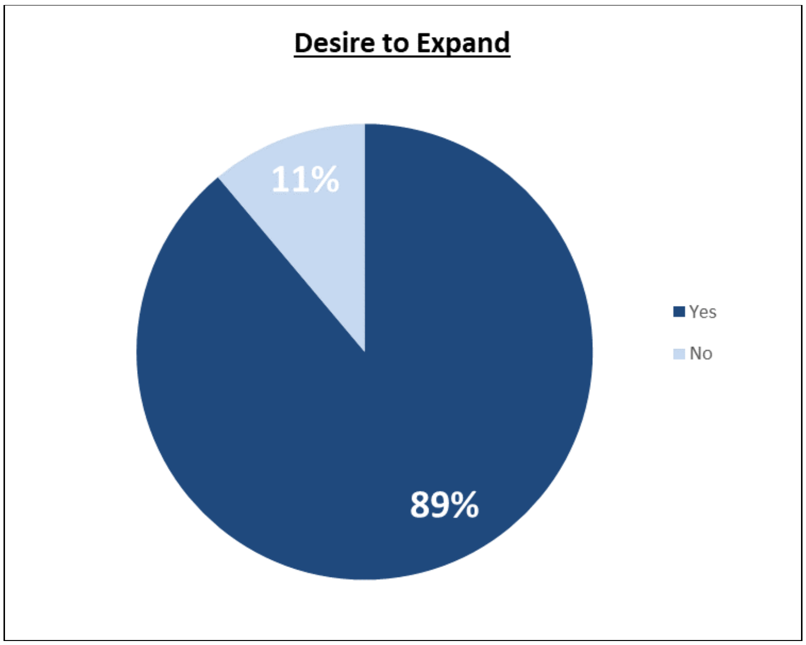

Figure 3 - Producer Survey Results, Desire to Expand

Producers were asked to indicate their current sales avenues vs. their preferred method of sale. As summarized in Figure 4 below, we can observe some differences in the Current vs. Ideal state.

[2] Note: this section does not summarize *all* survey results, simply those relevant to challenges facing producers. For a more comprehensive summary see Appendix 1.

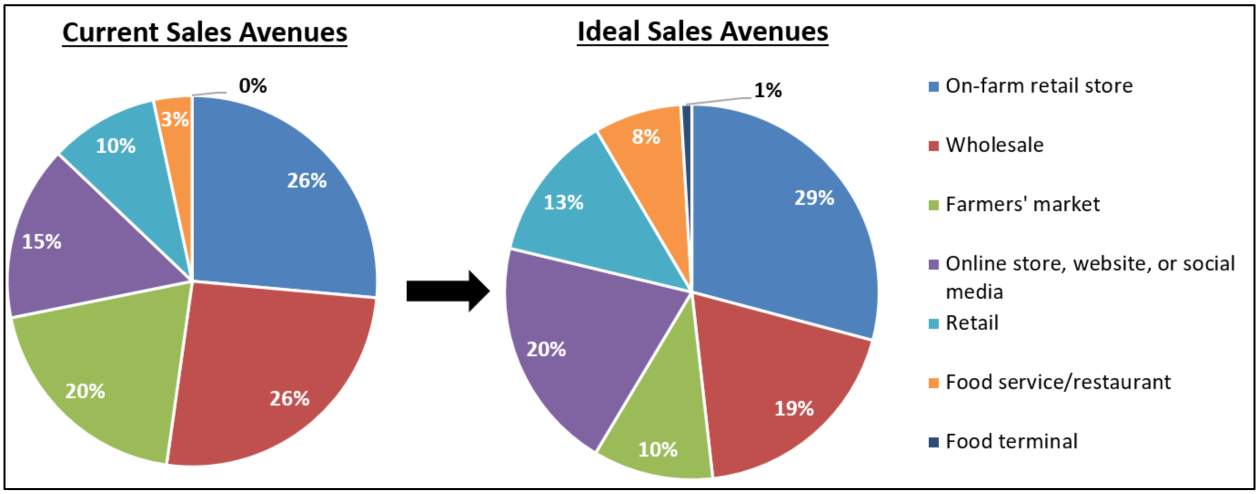

Figure 4 - Producer Survey Results, Current vs. Ideal Sales Avenues

- On-farm retail is the largest sales avenue, and it is also the most preferred by producers
- Producers prefer on-farm, online, and wholesale sales more than farmer's market
    - Producers identified the time it takes to load, drive, unload and set up their stands at Farmer's markets, it being dependant on weather, challenges dealing with what is left at the end of the day, the time spent away from the farm manning the FM stand, etc. etc.
    - Ultimately Farmer's Markets take the Farmer away from where they add the most value to their business - Operating the Farm.

In the later part of the survey producers were asked where they may require support, or more specifically, what services an organization might offer that would most interest them. Results are illustrated in Figure 5, below.

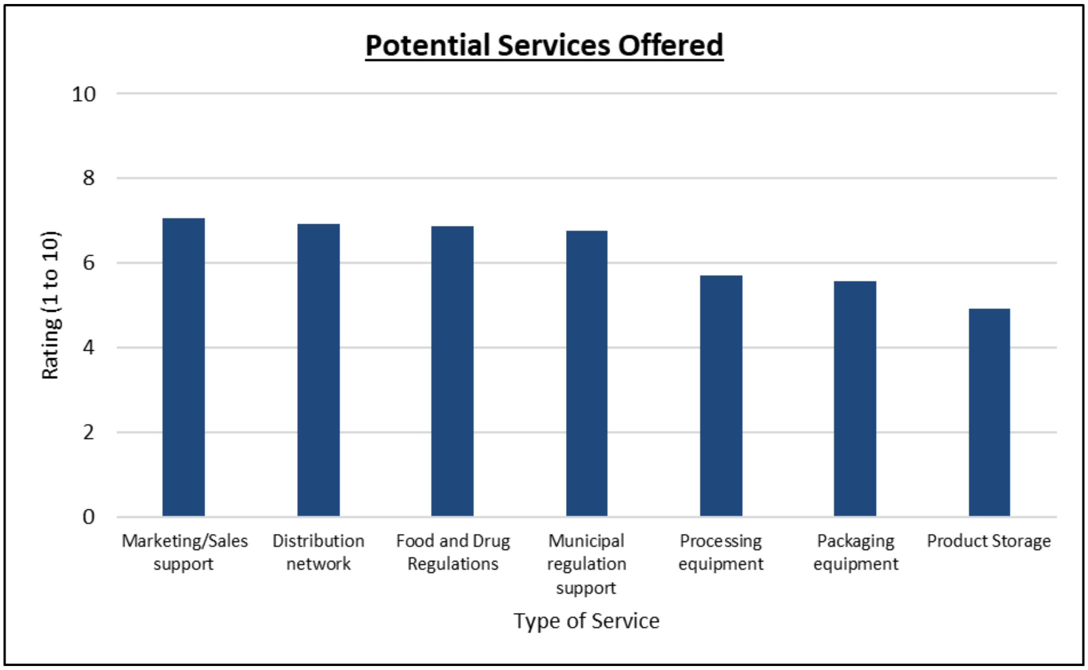

Figure 5 - Producer Survey Results, Potential Services Offered

Marketing/Sales Support and Distribution were the top-rated services an organization could offer respondents. This insight was substantiated by interviews with key players in Durham's agri-food community.

Stakeholder Interviews

The following section summarizes themes from interviews conducted with various members of Durham's agri-food community as well as a group discussion from a project stakeholder meeting held in July 2021. Both one-on-one interviews and the stakeholder meeting were intended to foster some additional understanding of challenges facing agri-food businesses and producers in Durham.

MCG interviewed 4 individuals for the purposes of this project between June and July of 2021. Discussions ranged between 45 to 90 minutes and covered an array of topics concerning local food and the challenges associated with connected consumers with food grown in Durham region.

Our project stakeholder meeting was held on July 6th, 2021, and involved 6 members of Durham's agri-food community in addition to attendees from MCG and the Region. Discussion was facilitated by MCG and Durham Region.

A prominent theme among stakeholder conversations was that small to medium sized farms struggle with the economic viability of their operation. While there is a growing interest in supporting small, local agriculture **(see section 4.2)** – and product attributes that are associated with small local agriculture (i.e., organic, sustainable, etc.) – producers in Durham experience difficulty receiving value for the *true cost* of what they grow. What often goes unaccounted for is the time that producers have to take in the marketing, logistical planning, and transport of their product. Many smaller farmers do not have the time or expertise to incorporate marketing activities or the delivery of product in to the already demanding work of growing and harvesting crops. As a result, margins are very thin for small to medium sized farms: most rely on community supported agriculture, farmers markets, farm gate sales, or established relationships with retailers and restaurants. What one might consider “traditional sales channels” are less accessible to smaller operations because they lack the volume and cannot afford the costs associated with selling to traditional distributors.

Similar to Durham producers’ difficulty in receiving value for the true cost of their efforts are logistical challenges associated with time management. With little time outside of what is required to maintain on-farm operations, commitments such as attending farmers markets, delivery to retail stores, and delivery to restaurants or institutions pose barriers to otherwise positive avenues of sale. Aside from the time directly associated with these activities, is the time spent planning and coordinating. When questioned, this is a significant reason why small to medium sized producers prefer farm gate sales: because it reduces effort in logistical planning[3]. Alleviating transportation and planning efforts would allow producers to focus on where the provide the most value to their business: the efficient operation of their farm, as opposed to aspects of the food system (sales, marketing, logistics, distribution) that they are less privy to.

Consumer awareness is another common theme from stakeholder conversations. Most notably, producers feel that consumers at large are uninformed on the seasonal availability of local produce and where they can buy it. This lack of knowledge leaves shoppers susceptible to the purchase of produce falsely claimed “local” or perceived to be local by its presence at a farmers’ market. Further, industry research suggests that conventional grocers don’t market or display local produce claims well due to a lack of consistency in local sourcing methods. That is, at conventional grocers, though produce may occasionally be sourced locally, they are hesitant to make those guarantees or invest in the point of sales marketing materials to make claims.

The seasonality of food grown in Durham is a significant hurdle for many farmers. Ways to extend the growing season and extend the shelf-life of product through processing and preservation methods is important for the growth of small farms.

The Durham Region Local Food Business Retention and Expansion (BR&E) Project

Results from our producer survey and stakeholder interviews are supported by a 2019 BR&E study performed by the Regional Municipality of Durham’s Economic Development Division, in co-operation with the Durham Farm Fresh Marketing Association and the Durham Workforce

[3] This of course is not the only factor – another commonly mentioned motivation for on-farm sale is direct interaction with customers

Authority. The following conclusions from that study's survey results (see report for methods and respondents) support much of what was uncovered in the investigative efforts of this project.

- Businesses see an opportunity to improve the connections between businesses
    - Only 36% of producer are very aware of and currently use a buyer or distributor and only 39% of processors, distributors and food service providers are very aware of and currently use local producers
    - About 77% of businesses felt the best way to assist the local food economy is through connecting food producers to processors, retails and restaurants, followed by a buy local campaign
    - About 78% of primary producers have the capacity and interest to increase production to supply local markets if additional buyers were identified

- There is a desire to improve the distribution system in Durham Region
    - 64% of businesses were interested in supplying to local markets if a distribution and management system was in place and 71% of producers expressed interest
    - 89% of non-producer businesses would be interested in purchasing locally grown products if there were a distribution and management system in place

- Businesses have a strong interest in improving the marketing of local food
    - 61% of businesses are interested in joint marketing efforts

4.3.1 Key Learnings

The following section summarizes key findings from the analysis presented in section 4.0. From producer survey results, interviews with key stakeholders in the region, and the review of previous studies, the project team identified the following key themes meant to inform a discussion of potential business opportunities in the region.

Accessibility

- A prominent barrier preventing the growth of Durham producers is accessibility
- Convenience for consumers is a critical part of obtaining regular business
- Convenience for producers is a critical part of gaining committed supply

Time Commitment

- Avenues of sale that increase convenience for consumers are very time consuming for producers (e.g., farmers markets, off-site farm stands, etc.)
- Producers often don't have time for delivery of small orders (restaurants, small retail, etc.)

Affordability

- At this time, the ownership structure has yet to be determined. However, this business will need to purchase product from producers at competitive prices or offer competitively priced services
- Securing commitment from producers is key to this operations success (identified in section 3.0)

Awareness

- Consumer awareness was a regular topic of conversation in project work to date. Namely, a lack of knowledge surrounding seasonality and regional product offerings

Scale

- The business needs to be sized such that it can service a diverse set of customers, wanting various sized orders

Diverse Service Offerings

- There has been strong support for a diverse set of service offerings from this potential business

Ownership and Operation

- Identifying an ownership and operational structure that works for all stakeholders will be an important part of project success
- Structure around producer needs as supply commitment is critical

Economics

- Important that the initiative works to stimulate growth of agriculture in the region
- Important that the initiative fill and infrastructure gap in the region

For an illustration of how these key learnings relate to one another, see Appendix 2 – Key Learnings Affinity Diagram.

A primary conclusion of this section is that there is mis-match between the opportunity to increase production to meet growing consumer demand and the capacity of local farmers to successfully capture the opportunity. A food hub, focused on key local challenges, could be a vehicle to bridge this gap.

5.0 FOOD HUBS AS THE "MISSING MIDDLE"

To fully grasp issues facing small-medium sized producers and opportunities to capitalize on consumer demand for locally grown food, one should understand the distinction between mainstream and alternative food systems. The mainstream food system in the industrialized world is dominated by large, private corporations, and is highly concentrated spatially and structurally (Cleveland, Muller, Tranovich, Mazaroli, & Hinson, 2014). It has evolved to meet high levels of production at the lowest cost and works to deliver to consumers a huge variety of affordable food. By contrast, alternative methods are any form of production or distribution that operate outside of that system. These alternative models tend to be smaller, more localized and favour direct to consumer sales. Common examples of alternative systems are farmers markets, on farm retail, and independent restaurants/retailers that source directly from farms. Often times mainstream and alternative can be distinguished by their forms of production: standardized, specialized production processes responding to economic standard of efficiency and competitiveness on the on hand; localized, specialized production processes attempting to trade on the basis of environmental, economically sustainable, nutritional or health qualities on the other (Cleveland, Muller, Tranovich, Mazaroli, & Hinson, 2014).

Certain types of regional food hubs may be considered *alternative* in that their main purpose as an organization is to connect consumers with growers and build ecologically and economically sustainable food supply chains for communities through aggregation and distribution. In that way, they align most accurately with an alternative definition of what food hubs are: "Networks and intersections of grassroots, community-based organizations and individuals that work together to build increasingly socially just, economically robust and ecologically sound food systems that connect farmers with consumers as directly as possible" (Blay-Palmer, et al., 2013). It is this focus on social and ecological impacts that place them outside of the mainstream. Where mainstream is defined by efficiency and competitiveness, alternative is defined by ecological and social concerns.

That said, not all food hubs are thought to service either alternative or mainstream food systems, and as a 2014 article in the Journal of Rural Affairs, argues, not all should be. The study analyzes the formation of a successful food hub in Santa Barbara California and suggests that the tendency to think of hubs in this dichotomous way is overly simplistic and that instead we should consider food hubs as hybrids between the two systems. When considered in such a way, food hubs have the potential to capture many of the advantages of alternative, socially and ecologically conscious goals and mainstream, large-scale distribution, while minimizing the disadvantages of both.

Major Goals of a Food Hub

Mainstream:	Hybrid:	Alternative:
• Economic Profit	• Economic viability with positive social and environmental impacts	• Social and Environmental Sustainability • Food Security

Figure 6 - Major Goals of Food Hub by Type

Considering the way food hubs have been defined for the purposes of this project (Section 3.1), nothing precludes economic, social or ecological benefits. However, as the following section will suggest, these benefits should not be the sole aim of a food hub. Since most of Canada's diet is composed of food obtained through mainstream channels – major grocery stores, chain restaurants, institutions, etc. – that predominantly source food from centralized regional or global distributors that buy from large scale producers (Martinez, et al., 2010), it would benefit the growth strategy of a food hub to cater itself to the eventual utilization of this existing infrastructure. That is, a food hub should help fill the "missing middle" that separates systems of efficiency and competitiveness from those with more altruistic goals.

6.0 BUSINESS OPPORTUNITY

6.1 Business Overview

Based on the analysis of the current environment in the region, there is an opportunity for a business that aids in the resolution of issues facing local producers and capitalizes on the increase in demand for the food that they grow.

> The Durham Region Food Hub will connect local producers with consumers by providing distribution, aggregation and sales services; picking up product directly from the farm, aggregating it at pop-up retail spaces, and selling directly to the consumer. As the local produce supply grows and there is viable interest from wholesale customers, a leased warehouse can be utilized for aggregation and storage to facilitate larger distribution accounts.

Vision Statement

The Durham Region Food Hub is a *Not-for-Profit* corporation that will alleviate sales, marketing, and distribution issues for local farmers and deliver to its customers, fresh, quality, verifiably local product and a convenient purchasing experience.

Key Components of Vision

- Not-for-profit corporation
- Procuring, aggregating and selling local agricultural products to allow farmers to focus on the efficiencies of their operation
- Promoting local agriculture through a variety of marketing efforts
- Closely controlling quality and food safety
- Phasing growth from a small-scale direct-to-consumer sales model to a larger scale wholesale distribution model

6.2 Durham Food Hub Value Proposition

A value proposition is meant to communicate to the customers of a business a promise of value. In the case of the Durham Food Hub, there are 3 potential "customers" at play: local producers (for which services are being provided), the end consumer (those purchasing food from the hub), and the Region itself. Points below outline how the Hub will provide value to these 3 customers.

To local producers, Durham Food Hub provides:

- Dependable purchasing of their product at fair prices that recognizes the true cost of production
- A product transportation service
- Support with sales, marketing and logistical planning activities, allowing more prominent focus on the operation of their farm (i.e., save time)
- Farm identity and brand preservation
- Opportunities for involvement in how local product is marketed and sold
- Clearly communicated quality and food safety standards
- A transparent partnership and genuine interest in their growth

To customers, Durham Food Hub provides:

- Consistent access to local product
- Trust and transparency in authentically[4] local product
- Quality at an affordable price
- Convenient to purchase (i.e., save time)
- Product that tells a story of local agriculture

To the Regional Municipality of Durham, the Durham Food Hub provides an opportunity to:

- Support the continuing growth of the local agri-food sector with respect to both economic output, rural employment and food security
- Give recognition to the importance to the sector and its role in the local economy

[4] With proper protocols, Durham may certify local claims (via proven traceability and perhaps a third-party ertification body)

- Establish dynamic, and mutually beneficial, linkages between players in the agri-food ecosystem including Durham College, Ontario Tech, food banks, and business-to-business connections.
- Supports the Region's efforts to implements its Official Plan with the respect to maintaining and enhancing its rural environment.

6.3 Proposed Business Structure

With the business's primary focus being the support of local farmers in the Region, it is suggested that the organization be formed as a *Not-for-Profit*. Therefore, all money earned by, or donated to, the organization is to be used in pursuing its objectives and keeping it operational. This is in the best interest of the business as it is anticipated that the cost of services being offered to producers (i.e., logistics, sales, marketing, and quality assurance) cannot be reflected in the retail price of the product if prices are to stay competitive. See Section 7.0, Financial Analysis for more detail.

Growing the hub in a phased manner will be critical to the long-term success of this venture. MCG suggests that Durham begin with a focus on low capital investment in the early stages of the project to ensure that the region can build a strong network of producers willing to the sell to the Hub at manageable volumes and to an acceptable quality standard.

6.3.1 Phase #1

The purpose of Phase #1 is first and foremost to strengthen the organization's supply network and build relationships with local farmers that ensure a mutually beneficial partnership. Secondarily, the business should be concerned with generating consumer interest and familiarity through a marketing campaign and ensuring a convenient shopping experience. Finally, ensuring product quality and consistency.

Objectives:

1. Build strong, mutually beneficial relationships with local farmers
2. Build a supply network of local farmers
3. Increase awareness of local food
4. Increase the sale of locally grown food
5. Assure food quality and food safety

Strategies:

1. Procure food from local farmers
2. Pick up orders directly from local farms
3. Partner with Durham Farm Fresh in the development of a marketing campaign
4. Sell food direct to consumer at temporary "pop-up" retail spaces throughout the region
5. Develop a quality assurance program

Considering above, Phase #1 of this business should be structured around the 3 focus areas indicated in the diagram below: Logistics, Sales and Marketing, and Quality Assurance.

Logistics

A primary motivation for establishing the food hub is to relieve time spent by small to medium sized farm operations in logistical planning and transportation. In the proposed focus areas (illustrated in Figure 8), the hub addresses this issue by procuring product directly from producers, and offering on-farm pick-up services on select day(s) of the week. In Phase #1, this product is not stored at a central aggregating facility for further distribution. Rather, it is aggregated at the point of sale – which MCG is suggesting be mobile, pop-up retail spaces. The contents of this report are built off of the assumption that this model would be feasible based on pick-up and sale once a week (1x/week) over the course of the growing season, April to September. Since the operation has no means of storing inventory it is critical that all product that is procured is sold the day of the pop up. Figure 7 illustrates a high-level example of process steps as they may occur: procurement to sale.

Key Components:

- Procurement of product from local farms
- On-farm pick-up
- Aggregation at pop-up retail spaces

Sales and Marketing

From a sales and marketing perspective, the proposed structure of the operation, completely assumes sales and marketing activities on the behalf of the producer. At this point, MCG will not suggest any specifics to a marketing plan aside from a partnership with Durham Farm Fresh (DFF).

A partnership with DFF is being recommended for two reasons:

1. To take advantage of the programs and campaigns that DFF already has in place, which MCG sees as being aligned with the objectives of this project
2. To ensure the involvement of local producers in the marketing of their product – which DFF already does

As a mode of sale in Phase #1, the Hub will explore the suitability of pop-up retail spaces at strategic locations throughout the region. A pop-up retail space is a venue that is temporary: it may be operational for a day or even several days but will eventually move or close. Pop-up retail allows a company to create a unique environment that engages their customers and generates a feeling of relevance and interactivity. These shops, while small and temporary, are used by companies to build interest in their product or service, and seed their product with cultural influencers.

Pop-up retail spaces may present themselves as a suitable mode of sale in the early stages of this project because they strongly align with the objectives of Phase #1 – a focus on strengthening supply networks and growing consumer interest.
A case for pop-up retail spaces in Phase #1:

- Low capital
    - Volume of product in the early days will be low and thus not justify leasing or purchasing a physical space
- Supports Marketing Campaign
    - Pop-up retail adds depth to the marketing of local product, creating a 'buzz" around the Hub's brand
- Familiar Mode of Sales
    - Can be viewed much like a "one-vendor" farmers market[5]
    - Temporary nature of the space lends itself well to a weekly market, allowing suppliers to accumulate product between sale days

To help manage orders and guarantee a certain percentage of sales, MCG is suggesting that the business develop a website where product availability is shared weekly such that orders can be made online for pick-up at various pop-up locations. A website will likely be an important part of the marketing campaign (TBD with DFF), though this addition feature, pre-orders, will ensure a percentage of sales are known prior to the day of the pop-up.

Key Components:

- Local food marketing campaign in partnership with Durham Farm Fresh (DFF)
- Coordination of pop-up retail spaces
- Development of online pre-order feature

[5] Though, to be clear, these spaces are staffed by the proposed business, not farmers themselves

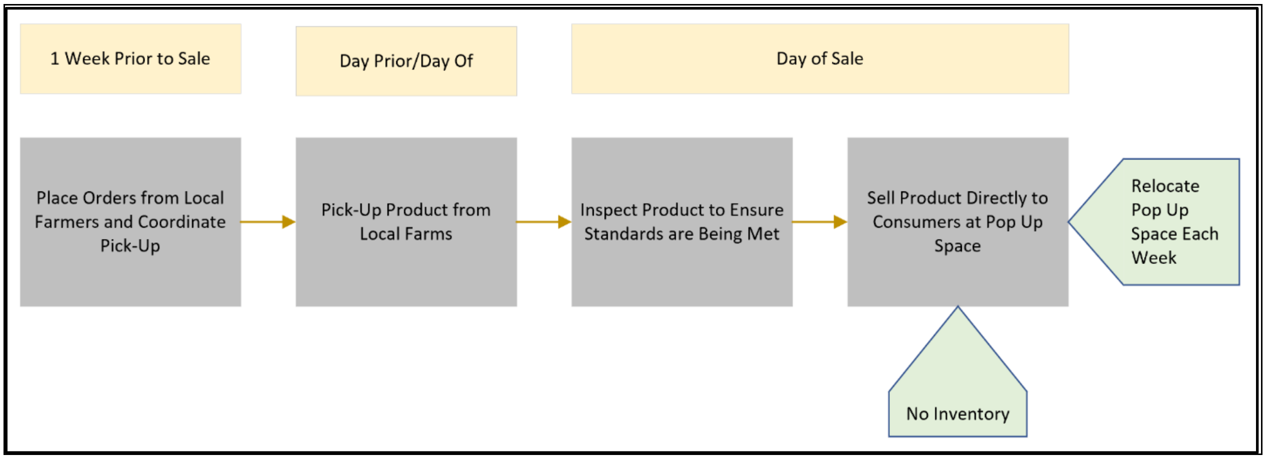

Figure 7 - Pop-Up Process Example

Quality Assurance

While quality assurance was not cited as an issue facing Durham Region producers, MCG would recommend the development of a QA program in the initial stages of the project to help manage the sheer number of potential suppliers. Beyond the logistical challenges created by sourcing from a high number of low-volume suppliers, are challenges associated with product quality and consistency. These risks can be mitigated through a clearly communicated quality standards and inspection protocols.

Key Components:

- Development of quality standards
- Quality inspection at pop-up retail spaces
- Food safety protocols at pop-up retail spaces

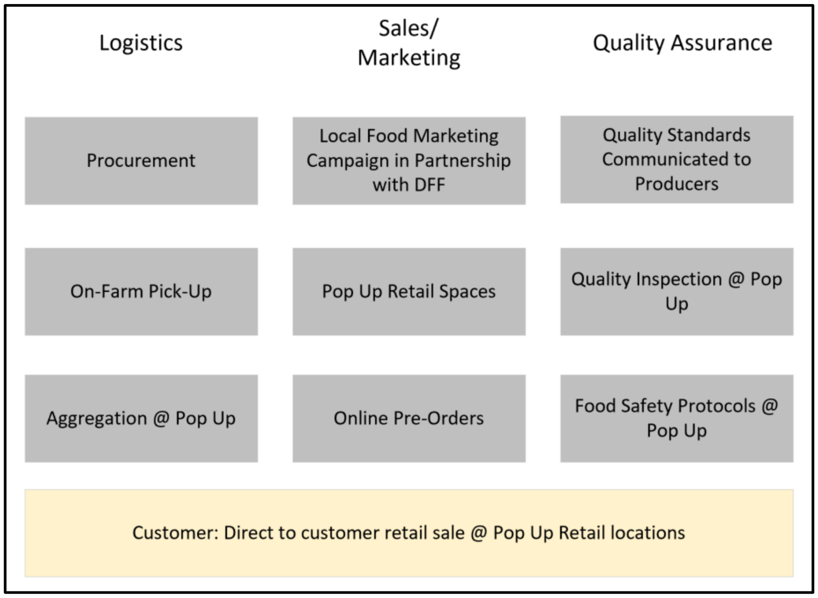

Figure 8 - Phase #1 – Proposed Focus Areas

While Phase #1 would be a viable business in its own right, the goal of the phase is to outgrow this mode of aggregation and sale and reach a scale capable of participating in established, mainstream, channels of food distribution. What this means, is changing focus (at least partially) from direct-to-consumer sale to supplying existing retailers, restaurants, institutions and online markets. To achieve this, it is anticipated that the business would then require a permanent space to store product and fulfill customer orders.

6.3.2 Phase #2

As the business begins to grow under a strong network of producers, Durham region should look to expand into the sale of product to retailers, restaurants, institutions, and online markets. As above, this will require a permanent space to store product from various suppliers, fulfill customer orders, and potentially even begin to package individual products under a common brand. A change to this customer base (retailers, restaurants, etc.) is a significant shift in the business's operation as there would then be a higher expectation of quality control, a responsibility for efficient warehouse operation and order picking, larger volumes, and the introduction of delivery to customer stores or warehouses.

Because growth into Phase #2 is contingent on the success of Phase #1, the focus areas illustrated in Figure 9 should be considered a possible option. More realistically, the business should take key learnings from phase #1 and adjust accordingly to reach the goal of accessing larger channels of the mainstream food system in the GTA.

Objectives:

1. Begin to service established retail, foodservice, and online market customers

2. Establish branded packaging
3. Continue to grow the sale of locally grown food
4. Improve food quality and food safety protocols and documentation

Strategies:

1. Lease warehousing space for aggregation, storage and order fulfillment
2. Expand transportation fleet for product delivery[6] as well as continued on-farm pick-up
3. Develop a sales team
4. Develop an inventory management program
5. Implement a more robust FS/QA Program
6. Explore the suitability of inventory management software and blockchain technology

Logistics, Storage, and Distribution

Similar to Phase #1, the business will continue to offer on-farm pick-up services to producers in Durham. However, once product is picked-up from various farms it is now aggregated at a more permanent space for storage and eventual distribution. It is proposed that this space be leased at a central location or one that is strategic in relation to committed suppliers. A large component of the aggregation space (warehouse) will be order fulfillment. Products coming in from various farms will be stored in bulk packaging until customer orders are picked and packaged for shipment. Once orders are picked, they are staged, loaded and delivered to customer stores, restaurants, or warehouses.

[6] Previously (Phase #1) transportation was exclusively from farm to point-of-sale logistics

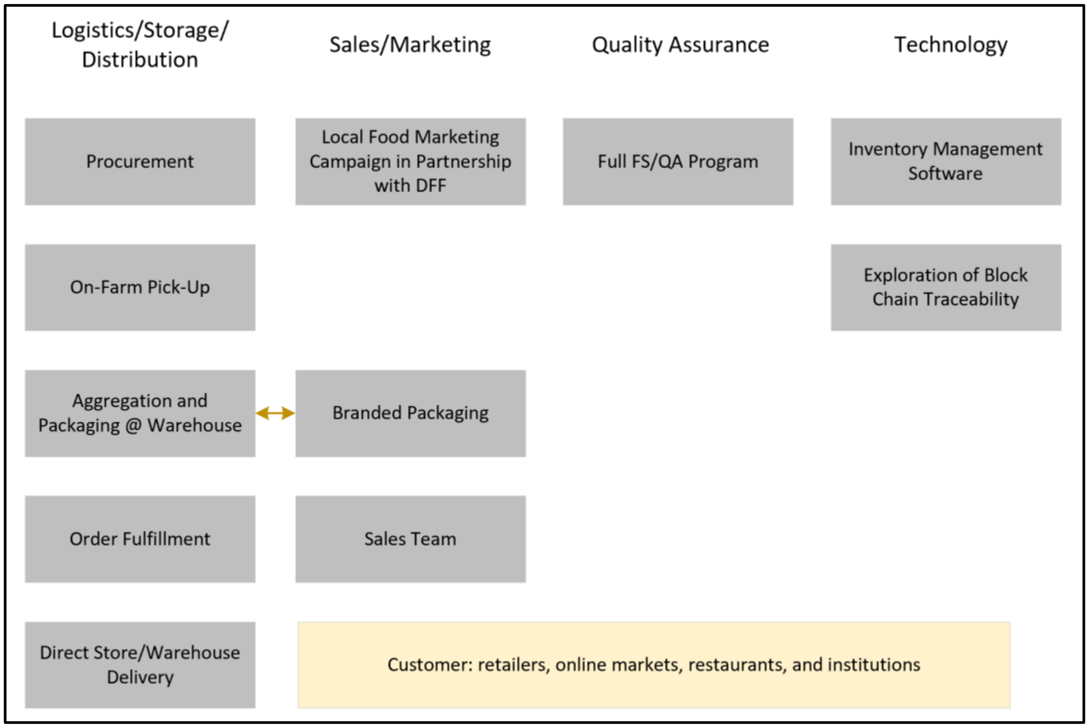

Figure 9 - Phase #2 – Proposed Focus Areas

Key Components:

- Lease warehousing space for aggregation, storage and order fulfillment
- Expand transportation fleet for product delivery as well as continued on-farm pick-up
- Develop an inventory management program

Sales and Marketing

A distinct difference in the evolution of customer base from direct-to-consumer to retailers, restaurants, etc. will be the type of client relationship. The Hub would benefit from developing a dedicated sales team that would be focused on the needs of clients and, of course, bringing in new business. The size of this sales team should be informed by the anticipated volumes being reached in Phase #2. Assumptions have been made to facilitate the financial analysis in Section 7.0.

Another key component of growth in Phase #2 will be the continuation of a marketing partnership with DFF. Building off success in Phase #1, a natural growth path may be to begin to incorporate the use of branded packaging. With less focus on direct consumer interaction, branded packaging and creative marketing would be a way for the Hub to connect with consumer and ensure an awareness of their core values.

Key Components:

- Continuation of marketing partnership with DFF
- Develop a sales team

Quality Assurance

As the Hub transitions into supplying established food purveyors a more significant emphasis will be placed on quality assurance and food safety. With this in mind, the Hub should build off of the standards communicated to producers in Phase #1 and begin to form a robust quality assurance and food safety program at its warehouse. These types of programs monitor and control product quality and food safety through various protocols and forms of record keeping. MCG will not suggest a specific program at this time, though certifications that abide by Global Food Safety Initiative (GFSI) schemes are looked at most favourably by major retailers

Key Components:

- Implement a more robust FS/QA Program
- Seek a GFSI certification

6.4 Blockchain Technology

Given the importance of source identification in the proposed business, it is strongly suggested that Durham Region explore the suitability of blockchain technology. With the rising trend of what we might call ethical or natural claims (claims such as local, fair-trade, and organic), the consumer is looking for a way to verify that their purchase does indeed abide by what is stated on its label. To be eligible to make the above claims, farmers are required to undergo rigours certification by an external auditing body which results in the farmer's registration. Upon registration, the farmer can now claim that their produce is Organic or Fair Trade. Local produce is easier to verify through typical sourcing methods but can be catalogued in the ledger and provided to the consumer along with information on the grower such as other certificates the farm may have registered to them.

So why use blockchain when we could simply print the information on the produce's package? While it is easy to print "Organic" onto the produce's package, there is much information lost that a consumer desires to see. The blockchain is an innovative solution that provides efficient inventory management and thorough transparency of the produce's origin. Implementing a blockchain inventory management system will provide the consumer with information on the sourcing location and allow them to purchase from a preferred local grower. They will be able to view all the certifications as well as data on the date of harvest and best before dates all through their smartphone app. Another added advantage would be the ability to recall produce specific to a grower rather than all produce processed during that specific time range.

The region of Durham has already implemented an application that functions as local food delivery service through Ritual One and it would be advantageous to incorporate produce tracking through this or a like service. Such a service would work in tandem with the food hubs inventory management system allowing consumers to view produce availability in real time. They would also be able to reserve produce via a shopping basket in app and confirm upon pickup arrival to ensure they were buying the same product they viewed on the app.

There are some challenges with implementing a blockchain solution outside of actually registration of the system on a formal blockchain. Due to the relative novelty of this management system, there are very few companies offering a comprehensive introductory application. Despite the lack of presence in the food industry, it is likely to become a very large driving force as we transition into the online digital age and has a suite of advantages over traditional inventory management methods.

7.0 SUMMARY OF TOP LINE FINANCIAL FORECAST

To help understand the many variables and critical success factors that will need to be addressed if a decision to move forward with the development of a detailed business plan, Mallot Creek has composed a 5-year top line financial forecast for the Durham Regional Producers Food Hub. This top line forecast is based on a set of variables consistent with comparable food hubs in North America. It should be noted that if a decision to proceed with a business plan is made, the forecasted revenues and costs will be dependent on producer support and direction. A complete set of the DRPFH financial forecast has been included in Appendix 3 – DRPFH Top Line Financial Forecasts.

Objectives

- To establish a baseline forecast for determining the fiscal viability of DRPFH operating a regionally based food hub supported by producer's product offerings.

Strategy

- Determine a set of variables, and assumptions that will allow for a start-up and five-year financial forecast. This strategy is explained in the following sections.

Basic Assumptions for Financial Forecast

This financial forecast has been established based on specific information provided from industry norms and historical regional market data to determine an average cost and revenue of forecasted product offerings and the expected operating and financing costs of the proposed plan. These operating and financing costs are combined with expected product sales volumes and retail margins. The expected competitive sales volumes and operating costs can be estimated to a reasonable degree of accuracy. However, the key variables of product costs and revenues are very difficult to predict given the nature of the marketplace and the expected development of Durham and surrounding areas. For this reason, historic vegetable and meat costs and related selling margins have been relied on to serve as a method of forecasting. Using a historical average as a predictor of the future is arguably the best means of determining the potential profitability of entering the food hub sector. By using a percentage of the regionally based product volumes, retail revenues and producer product costs, and applying an explicit forecast of what the operating and financing costs are expected to be, a base line **'what-if'** scenario for assessing the feasibility of the proposed new DRPFH organization can be created. A conversion factor has been applied to the proposed revenues to adjust for what is believed to be a market adjustment for related products in Durham and the regional marketplace. The forecasted revenues have been based on published Canadian and regional historical product prices. The revenues are based on an aggregate average selling price and volume. The baseline average forecast is presented in Appendix 3, Section 6.1 – Pro Forma Statement of Earnings.

The following sections cover the variables and assumptions used to create this baseline forecast.

7.1 Product Costs

Objective

To establish a baseline average cost for the vegetable, meat and other products outlined in the top line forecast. The vegetable cost has been based on an aggregate average outlined in Appendix 3, Section 4.0 – Vegetable Cost Forecast and Harvest Season. Meat and other costs have been estimated based on competitive market norms. The DRPFH producer products will be priced in a competitive manner adjusted for shipping and market as outlined in a proposed DRPFH Producer Supply Agreement.

Strategy

Use historical prices for regionally based vegetables, meat and other products supplied by DRPFH producers. The top line forecasts use aggregate average product prices and volumes. If a decision to proceed is made, the forecasted prices will be related to committed producer prices and volumes.

The final product cost figures for each year are derived as follows:

7.1.1 Annual Average Product Costs:

Table 4 – DRPFH Product Cost Forecasts outlines the anticipated cost of the proposed product offerings of the DRPFH organization year 1 to 5. The costs of vegetables and fruits have been based on an aggregate average cost of $1.30 per kg. Other product costs have been estimated based on average selling prices below. It is understood that the individual products will be priced in a competitive manner if a decision to proceed is made.

Purchase Price Calculation /KG	Average $	% OCD
Vegetables	$1.30	3%
Website	$1.84	3%
Meat	$11.28	3%
Industrial Program	$1.84	3%
Central Storage Packaging	$0.50	0%
Cooler Storage	$0.03	0%
Freezer Storage	$0.03	0%
Preserves and Other	$15.00	0%

Table 4 - DRPFH Product Costs Forecasts

7.2 Revenue

Objective

To establish a revenue plan based on a DRPFH model reflecting product costs plus a target margin. The proposed margins are key to the success of the proposed venture.

Strategy

A set of forecasted margins are outlined in Table 5 – DRPFH Product Margins. The basis of the financial forecast is contingent on the proposed margins over product costs. The margins are consistent with regional retail averages. If a decision to proceed is made, a critical success factor will be the confirmation of the margins on a product-by-product basis. It is clearly understood that for producers to participate in the program they must realize a competitive price for their products and for the Food Hub to succeed the selling margins must be achieved.

Van Pick Up - Pop up Tent	30%
Website	45%
Industrial, FS and Retail Program	30%
Meat Program	45%
Central Storage / Season	
Packaging	40%
Preserves and Other	35%

Table 5 - DRPFH Product Margins

1. Regional Vegetables, Fruits and Preserves

In year #1 of the DRPFH the proposed plan would be to retail fruit, vegetables and preserves supplied by committed regional producers. Volumes have been estimated based on a proposed retail schedule of 1 day per week over a proposed selling schedule of 21 weeks over the summer period. The forecast assumes that website sales will also begin in year #1 of operations. The initial thought would be that products will be offered on the website and picked up at the proposed retail kiosk on a weekly basis. The advantage of website purchases would be guaranteed supply and preparation. Appendix 3, Section 1.0 – DRPFH Information Sheet outlines the estimated sales schedule and volumes.

2. Regional Meat

A sales plan for regionally based meat products has been planned to begin in year #3 of operations. The meat program will need to be supported by a freezer and display program. Appendix 3, Section 1.0 – DRPFH Information Sheet outlines to estimated sales schedule and volumes.

3. DRPFH Central Storage and Packaging

In year #3 of operations the forecast estimates the DRPFH will secure a warehousing and production capacity. The plan to store producer products and offer primal packaging services is outlined in Appendix 3, Section 1.0 – DRPFH Information Sheet.

A 5-year revenue projection has been included in Figure 10 – DRPFH Product Revenue Breakdown year #1 to # 5 below.

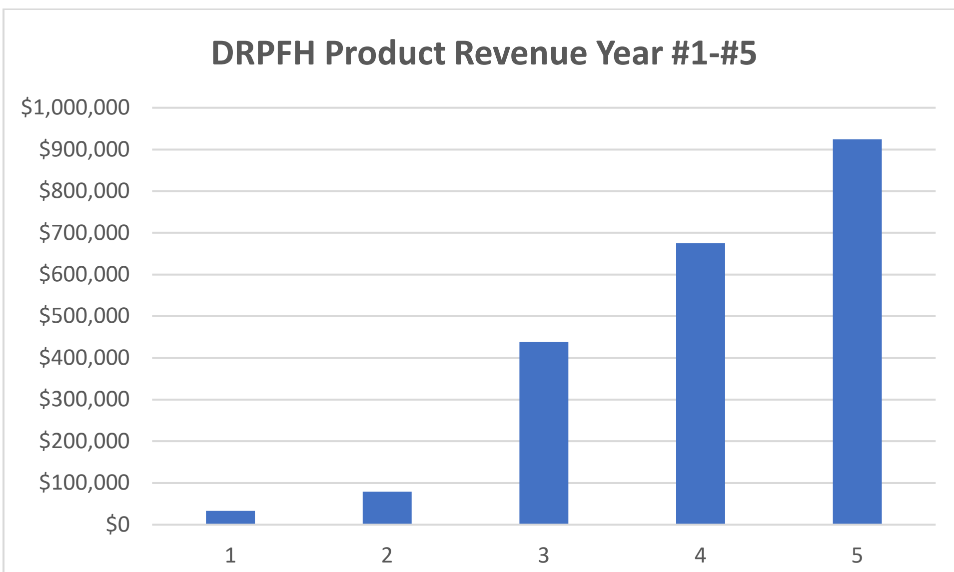

Figure 10 - DRPFH Product Revenue Breakdown

Final Revenue

All of the above information can be used to create a stream of forecasted product costs and revenues. The product prices, sales premiums and discounts, marketing mix, product weight and yield, and expected processing levels have all been determined and expressed as a base revenue projection.

7.3 Ending Inventory, Accounts Payable, and Accounts Receivable

Objective

Establish ending inventory, accounts payable, and accounts receivable to allow for the completion of financial statements given the above cost and revenue assumptions.

Strategy

Determine above variables as described below. **Ending Inventory** has been based on 30 days assuming that there are 365 days in a year. This assumption is based on the proposed sales program and an expected purchase and processing program.

Accounts Payable is based on paying bills in 7 business days for producer products and 30 days for packaged goods suppliers. This represents a blended average of short terms for producer products purchased and items other than product purchases with longer terms.

Accounts Receivable is based on an average 5-day terms of sale. These terms are common in the industry and will need to be confirmed as part of the DRPFH program. The blended AR is expected to be less than the 20 days applied, as a major portion of the receivables are based on revenues with a net 5-day term.

7.4 Investment and Financing

Objective

Establish Capital Structure, Investment, and Financing required for the DRPFH new organization start up and operations plan.

Strategy

Determine the monies required to provide the cash flow necessary to complete the proposed top line financial plan.

Funding is proposed to be provided through:

- Organization yearly membership fees
- Equity
- Debt - Short and Long Term

7.4.1 Organization Membership Fees

It is proposed that the food hub will gain initial funding through the sales of memberships to committed regionally based producers and industry. A fee schedule is outlined in Table 6 – DRPFH Organization Membership Fees[7].

		Year 1	Year 2	Year 3	Year 4	Year 5
Producer		100	200	250	250	250
Industry		25	50	50	50	50
	Fee					
Producer Fees	$100	$10,000	$20,000	$25,000	$25,000	$25,000
Industry Fees	$250	$6,250	$12,500	$12,500	$12,500	$12,500
Total		$16,250	$32,500	$37,500	$37,500	$37,500

Table 6 - DRPFH Organization Membership Fees

7.4.2 Equity

It is proposed that the DRPFH secure a warehouse in year #3 of operations. This lease has been included in the expenses but the leasehold upgrades will need to be funded by the purchase of producer shares in the proposed venture. The type of organization and class of shares will need to be established if a decision to proceed is made. For the purpose of the top line DRPFH forecast it is expected that the investment will supply $101,000 in year #3 of operations as outlined in Table 7 – DRPFH Finance Plan.

Finance Source	Year 1	Year 2	Year 3	Year 4	Year 5
DRPFH Organization Fees	$16,250	$32,500	$37,500	$37,500	$37,500
Debt			$34,000		
Share Capital			$101,000		
Operating Line - Other	$300,000	$0	$75,000		
Total Finance	**$316,250**	**$32,500**	**$247,500**	**$37,500**	**$37,500**

Table 7 - DRPFH Finance Plan

7.4.3 Debt

An operating loan is expected to be approximately **$300,000** over the first 12 months of operations and an additional **$75,000** in year #3 of operations. The majority of the requirements will be to fund food hub start-up inefficiencies in the start-up months and sales growth associated with the sales program. It is understood the proposed operational loan will need to be secured by the DRPFH organization.

[7] Total number of members and membership fees will be determined as a more detailed business plan is developed – based on producer and industry interest.

An expected additional $34,000 of long-term debt is expected in year #3 of operations. This long-term debt is associated with the lease hold upgraded outlined in Appendix 3, Section 13.0 – DRPFH Top Line Facility Forecast.

7.5 Capital Expenditures

Annual capital expenditures will be required commencing in year #1 to keep the DRPFH at the planned capacity and performance expectation. This amount will need to be determined as part of start-up operations plan.

7.6 Operating Expenses

Objective

Establish expected operating expenses for the DRPFH.

Strategy

Determine operating expenses based on prevailing market forces, generally accepted accounting principles, and assumptions as described below.

7.7 Variable Expenses

Direct Labour

The year #1 ‘all in’ labour rate will be **$22.00/hour** based on the forecasted average labour rate in the Durham Region. Any additional costs will be offset by increased production performance associated with increased workforce.

This rate will increase by 1% each year over the five-year baseline forecast. It is estimated that a direct labour of 1 for the first 5 years of operation will be required. Any additional employees will be reflected in the increase margins that the additional labour will generate due to the expected processing mix.

Trucking and Insurance

The pick-up and distribution of DRPFH products has been outlined in Appendix 3, Section 9.0 – DRPFH Operating Costs. The initial plan includes the lease of a refrigerated van that will be used to pick and distribute products. An additional distribution cost of $.10 per kg has been included to allow for additional requirements that will develop.

Additional Expenses

These expenses have been calculated on a per kg basis and applied to the DRPFH plan. The forecasted expenses have been benchmarked against comparable operations. Appendix 3, Section 7.0 – DRPFH Variable Expense Calculation outlines the expected expenses.

7.8 Fixed Expenses

The fixed expense package has been established based benchmark expenses and historical costs breakdown.

Administration

The following is a list of administration personnel required to operate the DRPFH Organization, their respective salaries over the 5 years of operations.

Administration Labour		Year 1	Year 2	Year 3	Year 4	Year 5
Increase %	Wages:		5%	5%	5%	5%
General Manager*	$95,000	$47,500	$59,850	$69,825	$79,800	$89,775
Support / QC	$0	$0	$0	$0	$0	$0
Sales*	$75,000	$37,500	$47,250	$55,125	$63,000	$70,875
Total Office Wages		$85,000	$107,100	$124,950	$142,800	$160,650
* GM (Manager and Sales)						

Table 8 - DRPFH 3 Year Administration Forecast

Above expenses are increased by 5% each year.

Insurance and Business Taxes
Estimates have been made for insurance based on current forecasted rates. **Business Taxes** have been based on an estimated local tax rate for the DRPFH Organization.

Marketing and Promotion expenses for the DRPFH are anticipated to be $28,453 in year #1 and increases over the 5 years of operation as the sales plan increases. Table 9, DRPFH Brand Marketing Budget outlines the initial top line cost forecast.

	Year 1	Year 2	Year 3	Year 4	Year 5
Sales and Marketing					
Logo development and maintenance	$1,500	$1,000	$500	$500	$500
Pressure Sensitive Labels			$700	$1,500	$1,500
Packaging Creative			$2,500	$1,500	$0
Retail Tent	$5,000	$2,500	$0	$0	$0
Van Decal and Creative	$453	$500	$0	$0	$0
Industrial, FS and Retail Program	$0	$0	$5,500	$1,200	$1,200
Meat Program	$0	$1,000	$2,500	$1,200	$1,200
Central Storage / Season	$0	$0	$750	$750	$750
Packaging	$0	$0	$750	$750	$750
Total Sales and Marketing	**$6,953**	**$5,000**	**$13,200**	**$7,400**	**$5,900**
Promotion					
Communication	$12,500	$12,500	$12,500	$12,500	$12,500
Website	$7,500	$5,000	$2,500	$2,500	$2,500
Total Promotion	**$20,000**	**$17,500**	**$15,000**	**$15,000**	**$15,000**
Misc.					
Regional	$500	$1,000	$1,000	$1,000	$1,000
Regional Communication Map advertising	$500	$800	$800	$800	$800
Other	$500	$500	$500	$500	$500
Total Misc.	**$1,500**	**$2,300**	**$2,300**	**$2,300**	**$2,300**
Total Forecast	**$28,453**	**$24,800**	**$30,500**	**$24,700**	**$23,200**

Table 9 - DRPFH Brand Marketing Budget

7.9 Depreciation

Depreciation has been calculated based on the expected useful life of the specific capital expenditures detailed in the facility upgrade in year #3 of operations. The straight-line method has been used.

7.10 Interest

Interest expense has been based on an annual interest rate of 5.9% for LTD and 6.45% operating charged against the outstanding operating loan balance at the beginning of each year.

7.11 Pro Forma Financial Statements

Objective

Establish a complete set of pro forma financial statements for the five-year base line forecast and analyze the results.

Strategy

Apply the results of all the above assumptions to create five-year pro forma statements. These complete statements are presented in Appendix 3, Section 6.1 – Pro Forma Statement of Earnings.

A summary of the results is presented below:

Summary of Earnings

To accurately reflect the true conditions that the proposed DRPFH Organization will be operating under, we have chosen to use a revenue strategy outlined above and a 5-year average cost and revenue inputs as a basis for analysis for product related sales for DRPFH products and services sales. The 5-year average will allow for a more accurate snapshot of the organizations true operating environment. A clear indication of break-even requirements will be reflected more accurately in a business plan.

Given the above assumptions, Figure 11 illustrates DRPFH P&L 5 Year Forecast.

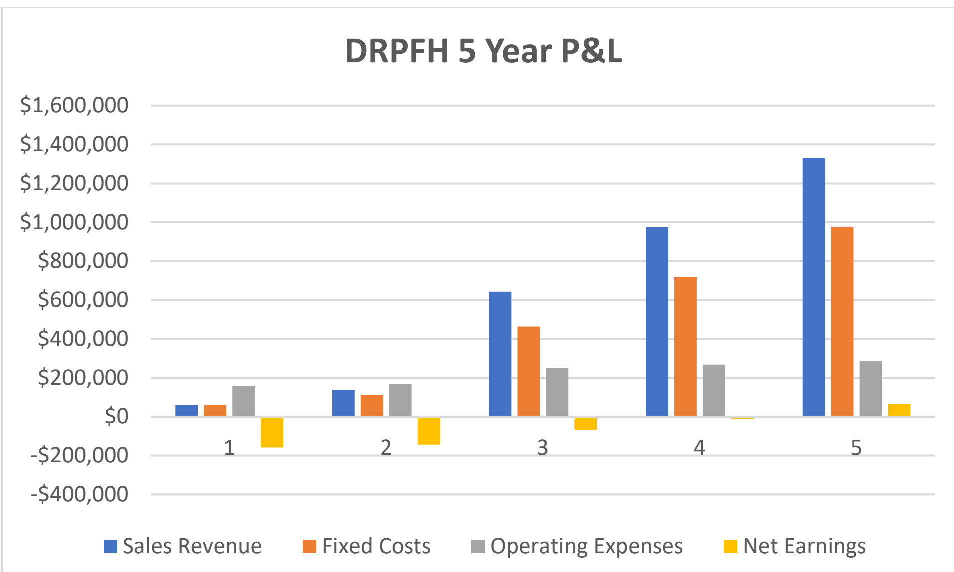

Figure 11 - DRPFH P&L 5 Year Forecast

The proposed revenues and expanse package will need to be reviewed if a decision to proceed is made.

Summary of Cash Flow

The proposed operating line of $300,000 is based on a 12-month ramp-up of operations a planned product payable of 2 days and an expected AR of 20 days. Appendix 3, Section 6.2 – DRPFH Pro Forma Cash flow outlines the expected cash flow breakdown.

Summary of Balance Sheet

Given the above assumptions Appendix 3, Section 6.3 – DRPFH Pro Forma Balance Sheet outlines the expected assets and liabilities. Producers Dividends have not been reflected and will be included in the financial covenant discussions.

7.12 Section Conclusions

The overall conclusion is that if a decision to proceed is made, a detailed analysis of the above assumptions and supply forecasts will need to be solidified. Funding of the organization will be a challenge in the initial start-up years of the organization.

8.0 CRITICAL SUCCESS FACTORS

The sections below outline a number of critical success factors for a successful food hub in Durham Region. The ability to support the proposed business will rely on the project team's ability to address the below factors. As each of the critical success factors are assessed, the results will highlight positive indicators for moving forward and identify red flags.

Supply

- Consistent and committed supply of a diverse selection of quality fruits and vegetables sourced from producers within Durham Region
- Sufficient regional producer membership support providing a defined product type and volume availability
- Equitable pricing policies supported by long term commitment between the food hub and its suppliers

Demand

- Consistent markets for the producers, including emerging market opportunities within the Region and the Greater Toronto Area (GTA)
- Access to an existing regional customer base at a competitive price

Marketing

- Ability to create Unique Selling Points (USP's) in relation to the competition in the Region
    - USP's need to be verifiable, genuine and provide the customer with a point of difference consistent to current and future consumer buying needs and trends
- Ability to market a brand in a competitive manner in Durham and GTA
- An effective marketing plan with a realistic growth forecast based on the Region's supply and market access
- Solidification of a sales plan, costs and expected margins

Location

- The location of the aforementioned pop-up stands and larger permanent aggregation warehouse need to be strategically planned in order to:
    - Make it convenient for the consumer
    - Minimize the cost of transportation by optimizing pick-up and customer distribution routes
    - Be paramount in the branding and product recognition itself

Human Resources

- Ability to find and retain experienced staff – particular experience in produce supply chain management

Finance

- Completion of a finance plan with expected short- and long-term debt
- Completion of a source and use of funds for the initial start-up years

Management

- Ability to establish Key Performance Indicators (KPI's) to help form a strong management system
- Ability to establish high quality control standards to ensure supply to a variety of potential customers

Business Structure

- Ability to establish a model that has the ability to finance and manage a local food system for long term success
- Ability to establish a cost effective, efficient distribution system scaled appropriately for Durham's number of the producers and consumer demand
- Communication and commitment from all components in the value chain
- Ability to ensure producer payment for products in a competitive timely manner
- **Completion of a final business plan**

9.0 ACTION PLAN

If a decision is made to proceed with the development of a detail business plan the following next steps are recommended:

1. Form a DRPFH leadership group

A DRPFH leadership group or steering team should be established to help refine the current vision and begin to address the Critical Success Factors identified in this report. The ability to develop a group that supports a call to action is paramount to success. The current DRPFH steering team has been a great support team on the project to date.

The steering team will work together to:

- Review this report and refine the vision based on the group's direction
- Recommend a clear plan to address the Critical Success Factors reviewed in this report
- Suggest a business structure that will best allow success for the new organization
- Review processor partnership opportunities and forecast potential products and volumes
- Retain the new consultant to refine and produce the producer information package with the objective of presenting to regional producers interested in participating in the food hub

2. Top Line Business Plan communication package and presentation

The new consultant will expand on and review with the steering team a producers communication package. A clear package will be developed to inform the Durham and regional producers currently marketing their products.

Some key components will be:

- Project vision as outlined or a revised vision as the steering team directs
- Facility product offerings as developed
- Initial financial forecast as outlined in this report refined to the new vision
- DRPFH organization membership breakdown
- Investment breakdown and producer and partner investment options
- Structure options review and process explanation
- Critical Success Factors required to help support the organizations success

3. Information distribution to all producers in Durham (and surrounding counties as desired)

A DRPFH organization information package developed above will be distributed to relevant Durham and surrounding county producers. The package will offer a top line business vision descriptions as outlined above. Additional investment information will be included. The objective of the package will be to ready the producers for the information night

4. Review Critical Success Factors

A detailed review of all of the above critical success factors should be completed prior to the producer information nights. Additional discussion and research are required on many of the critical success factors identified. The objective will be to not necessarily develop answers for all of the factors identified but to become more educated in the pros and cons of each prior to public presentations. All of the factors should be addressed and answers completed prior to the information nights. Additional Critical Success Factors will be established as developed by the steering team, regional representatives and the new consultant group.

Some additional questions are:

- What are the potential partnership opportunities and how do they affect the initial producer vision and targeted volumes?
- What is the producer's investment needs and returns?
- Is a potential for a reginal brand and if so, who will lead the project?

5. Conduct a producer information night/sign-up

Once a more detailed business vision and critical success factor review has been completed a producer information night should be organized. The presentation should include:

- The vision presentation developed by the new consultant and steering team
- A detailed review of all of the critical success factors
- Partnership opportunities
- Producer sign up forms

The producer sign-up forms are only designed to help establish a better understanding of the potential product opportunities, supply numbers and product breakdown and do not represent any commitment. The new consultant and steering team will review the initial sign-up numbers and decide if the vision has enough legs to more to the next step.

6. Assess Implementation Options

A decision to more forward will be made by the steering team and based on the level of producer interest shown at the producer information night. The sign-up forms will help the team review the potential for success.

7. Conduct industrial information night/sign-up

If a decision to move forward with the vision is made by the steering team an industrial support information night should be arranged. The objective of the night will be to inform the regional industry of the DRPFH vision and potential for partnership in the organization.

The following steps are recommended:

- Further develop a list if potential industry partners prior to the information nigh
- Complete an DRPFH vision presentation based on the package developed for the producer information night
- DRPFH organization membership breakdown
- Provide industry partner partnership forms identifying program and investment options. As with the producer support form the industry forms will be to determine interest only. Further discussions will develop after the information night

8. Assess Implementation Options

A decision to more forward will be made by the steering team and based on the level of partnership opportunities as they relate to the producer investment goals identified at the producer information night and the steering team's direction.

9. Complete Business Plan

If a decision to proceed is made a detailed business plan will be developed. Additional industry and producer discussion will need to be completed. The plan will allow for a clear breakdown of all aspects of the DRPFH vision as well a detailed business implementation plan outlining the steps required to form a structure and investment plan prior to the decision to proceed with the business plan. The formation of a producer organization with the ability to work with industry partners will need to be staged and concluded on prior to any business plan completion and implementation.

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If this information is required in an accessible format, please contact 1-800-372-1102 ext. 2564

The Regional Municipality of Durham Report

To:	Planning and Economic Development Committee
From:	Commissioner of Planning and Economic Development
Report:	#2022-EDT-3
Date:	February 1, 2022

Subject:

Investment Attraction Metrics – Annual Activity Report 2021

Recommendation:

That the Planning and Economic Development Committee recommends:

That this report be received for information.

Report:

1. Purpose

1.1 This report summarizes and provides an annual overview of the 2021 investment attraction metrics, outlining the investment attraction and real estate related queries handled by the Economic Development and Tourism Division in 2021.

2. Background

2.1 The Economic Development and Tourism Division's investment attraction activities are focused on four areas:

a. Generate and source leads for potential new investment, including investment attraction missions, in-market lead generation services, and hosting investor tours and delegations;
b. Respond to investment inquiries;
c. Promote the Region among the real estate and development community; and

d. Cultivate relationships with community partners, post-secondary institutions, Toronto Global, as well as the Federal and Provincial Governments, to promote investment attraction to Durham.

2.2 The Investment Attraction team has categorized potential investors based on level of commitment and planned investment time horizon. See Appendix 1 for an overview of the Durham Region Economic Development Sales Funnel, which includes a definition of the categories or stages in the funnel - ‘Target’, ‘Lead’, ‘Prospect’, ‘Opportunity’, ‘Active Investor’, ‘Closed-Hold’ and ‘Closed-Lost’.

3. Year End Review 2021: Investment Attraction Metrics

3.1 Lead generation activity remained impacted by COVID-19 in 2021 but saw an increase in activity compared to 2020. In 2021, the Investment Attraction team handled 112 leads or investment inquiries, an overview of which can be found in Appendix 2 of this report.

3.2 Of 112 leads received in 2021, 16% of leads have been closed-lost or closed-hold due to a change in the companies’ business plans or lack of suitable real estate to service the lead. About 85% of the leads are still open and considering their investment plans. The status of each lead is shown in Appendix 2.

3.3 Lead generation in the first half of 2021 averaged 8 leads per month. Since July, this figure has increased to approximately 11 leads per month. The monthly trend of lead generation in 2021 is shown in Appendix 3 of this report.

3.4 Leads were generated through a variety of sources. The breakdown of leads by source is shown in Appendix 4 of this report.

a. Approximately 23% leads were generated from Invest Durham’s partnerships and relationships with the Province of Ontario, Ontario Manufacturing Communities Alliance (OMCA), Ontario Food Cluster (OFC), Durham Economic Development Partnership (DEDP) and others.
b. 13% of leads came from Invest Durham’s membership with Toronto Global
c. Approximately 26% of leads were generated from the Region’s investment missions and targeted lead generation promotional campaigns. This includes the ongoing lead generation campaign to attract energy innovation & cleantech companies to Durham.
d. Another 26% of leads were generated through referrals or introductions from an intermediary such as community members, businesses, site selectors and real estate agencies.

e. Lastly, 12% of the leads came from companies directly approaching Invest Durham.

3.5 The leads and inquires to Economic Development staff represent a wide range of industrial sectors. The top five industries represent approximately 60% of the total leads, and are listed below. A breakdown of leads by industry is included as Appendix 5.

a. Automotive & Related Industries (22%)
b. Renewables and Environment (13%)
c. Food Production (12%)
d. Information Technology & Services (7%)
e. Computer Software (6%)

3.6 Due to COVID-19, in-person missions, tradeshows/events, and delegations visiting Durham Region remained impacted for most of 2021. While staff did not undertake any in-person missions or participate in tradeshows or industry events, the investment attraction team hosted 1 virtual event for the realtors/developers' community, participated in 1 virtual event in the technology space and led 2 virtual investment attraction campaigns to meet with potential investors. A summary of these activities is outlined in Appendix 6.

3.7 In 2021, the Investment Attraction team participated in a total of 4 inbound delegations and company site tours, 3 of which were with Toronto Global clients. Additionally, Invest Durham presented and showcased Durham Region to an inbound company delegation from India hosted by Toronto Global. Details of these are provided in Appendix 7 of this report.

3.8 With support from our partners, staff supported 4 successful investments into Durham Region. For these, Regional staff acted in either a lead role or a support role, signifying whether the investor's primary contact during the decision-making process was Regional staff or one of its partners. In all listed successful investments, Regional staff were involved in providing information and support during the investment decision-making process. See Appendix 8 for details of the successful investments.

4. Relationship to Strategic Plan

4.1 This report aligns with/addresses the following strategic goals and priorities in the Durham region Strategic Plan:

3.1 - Position Durham Region as the location of choice for business;

3.2 - Leverage Durham's prime geography, social infrastructure and strong partnerships to foster economic growth; and

3.4 - Capitalize on Durham's strengths in key economic sectors to attract high-quality jobs.

5. Conclusion

5.1 The investment attraction efforts and resulting lead generation in 2021 remained impacted by the COVID-19 pandemic. All lead generation efforts remained virtual with only limited opportunities to meet with companies and build relations in person. While still under the uncertainty caused by the pandemic, the Investment Attraction team expects investment attraction activity to increase in 2022, with more opportunities to network with companies and showcase Durham Region as a premier business destination.

Respectfully submitted,

Original signed by

Brian Bridgeman, MCIP, RPP
Commissioner of Planning and
Economic Development

Recommended for Presentation to Committee

Original signed by

Elaine C. Baxter-Trahair
Chief Administrative Officer

Appendix 1: Durham Region Economic Development Investment Attraction Funnel

The Investment Attraction Funnel has 7 categories, and potential investors are categorized based on criteria in 3 areas: their level of commitment to Durham Region; the level of commitment to making an investment; and their planned timeline associated with the investment.

1. **Target**

   Identified as a company that may potentially invest but no contact or discussion yet.

2. **Lead**

Commitment to Durham	Executive team commitment	Time horizon & communication
Indicated an interest in expanding to/within North America; Durham Region is a possibility	Little or no investment business planning completed	Investment time horizon is ≤ 5 years. We provide information at this stage.

3. **Prospect**

Commitment to Durham	Executive team commitment	Time horizon & communication
Seriously considering Durham among other possibilities	Business plan in development, but no executive team approval (or unknown)	Investment time horizon is ≥ 2 and ≤ 5 years. We provide information at this stage.

If we have not heard from prospects in over 12 months, prospects are bumped down to the lead stage.

4. **Opportunity**

Commitment to Durham	Executive team commitment	Time horizon & communication
Durham is a primary choice to invest	Business plan in advanced stage, and/or executive team approval known	≤ 2 years investment timeline

If we have not heard from Opportunities in over 4 months, opportunities are bumped down to the prospect stage.

5. Active Investor

Commitment to Durham	Executive team commitment	Time horizon & communication
In the process of investing in Durham Region	Business plan approved; company in active negotiating to purchase or lease property; or in zoning/OP application stage	≤ 3 months investment timeline. We assist the investor with logistics.

6. Win

Investment has been successfully made in Durham through a firm agreement to purchase or lease real estate.

7. Lost

Discontinued due to no reasonably foreseeable future investment potential.

8. Hold

Project plan put on hold by the business.

Appendix 2: Status of Investment Leads in 2021

No.	Investment lead/Inquiry	Industry	Stage in Pipeline	Company Source
1	Musical Instruments for people with disabilities - Coworking Space	Music	Closed Won	Referral
2	Industrial kitchen	Food Production	Closed Won	Direct Inbound
3	Coffee Roastery	Food Production	Closed Won	Direct Inbound
4	Cybersecurity in EV/EV Mobility	Automotive	Closed Won	Toronto Global
5	Tier 1 Electric Vehicle Manufacturing Facility	Automotive	Opportunity	Toronto Global
6	Automotive Manufacturing Facility in Oshawa	Automotive	Opportunity	Referral
7	Cleaning Products Manufacturing Facility	Chemicals	Opportunity	Referral
8	Automotive Manufacturing Facility – GTA expansion	Automotive	Opportunity	Referral
9	Hydro contractor's yard - Relocation	Utilities	Prospect	DEDP Member
10	Wholesale Vehicle Auctioneer	Automotive	Prospect	Direct Inbound
11	Seafood Processing Facility	Food & Beverages	Prospect	DEDP Member
12	Recycling Plastic Plant in Ajax	Packaging and Containers	Prospect	Referral
13	Renewable Energy Company - Expansion	Renewables & Environment	Prospect	Marketing
14	Automotive Repair Facility	Automotive	Prospect	Toronto Global

No.	Investment lead/Inquiry	Industry	Stage in Pipeline	Company Source
15	VC and PE - Partnership opportunities and localization	Venture Capital & Private Equity	Prospect	Marketing
16	EV Battery Manufacturing Facility	Automotive	Prospect	Toronto Global
17	Manufacturing Facility in Seaton	Mechanical or Industrial Engineering	Prospect	Province
18	Large Distribution Facility	Real Estate	Prospect	Referral
19	Healthcare Technology Company - GTA expansion	Information Technology and Services	Prospect	Marketing
20	Hydroponic Vertical Farm	Farming	Prospect	Direct Inbound
21	Computer Software Company - Operations Centre	Computer Software	Prospect	Referral
22	Aerospace Manufacturing/Partnership Facility	Aviation & Aerospace	Prospect	Mission - Channel Partner
23	Engineering Office of an Energy Company	Electrical/Electronic Manufacturing	Prospect	Toronto Global
24	Electronics Manufacturing Company - Relocation	Consumer Electronics	Prospect	Direct Inbound
25	Dental and Health Products Manufacturing Facility	Biotechnology	Prospect	Province
26	Office Space – IT Consulting	Computer Software	Prospect	Toronto Global
27	Craft Distillery - Relocation	Food & Beverages	Lead	DEDP Member

No.	Investment lead/Inquiry	Industry	Stage in Pipeline	Company Source
28	Snack Food Processing Facility	Food Production	Lead	Province
29	EV Battery R&D Facility	Electrical/Electronic Manufacturing	Lead	Mission - Channel Partner
30	Packaging Products Industrial Manufacturing Facility	Packaging and Containers	Lead	Toronto Global
31	Large Logistics Facility	Logistics and Supply Chain	Lead	Referral
32	Food Production Facility	Food Production	Lead	Toronto Global
33	Engineering Services Office - Global Company	Information Technology and Services	Lead	Mission - Channel Partner
34	Meat Processing Facility	Food Production	Lead	Province
35	Electric Vehicle Manufacturing Facility	Automotive	Lead	Mission - Channel Partner
36	Energy storage systems - Manufacturing Facility	Renewables & Environment	Lead	Mission - Channel Partner
37	Data Analytics Company - Co-working Space	Information Technology and Services	Lead	Toronto Global
38	Brewer	Food & Beverages	Lead	Direct Inbound
39	IT company - Technology for Shop Local	Information Technology and Services	Lead	Marketing
40	Distribution hub for baking products	Food Production	Lead	Province

No.	Investment lead/Inquiry	Industry	Stage in Pipeline	Company Source
41	Food & Beverage Preparation Company - Ontario Expansion	Food & Beverages	Lead	Province
42	Battery Manufacturing - Pilot Plant	Renewables & Environment	Lead	Mission - Channel Partner
43	Publicly traded company - Land for Warehousing	Warehousing	Lead	Referral
44	Solar Cells Manufacturing Facility	Renewables & Environment	Lead	Mission - Channel Partner
45	Internet of Things IT Company - Office Space	Information Technology and Services	Lead	Mission - Channel Partner
46	EV Batteries Manufacturing Facility	Automotive	Lead	Province
47	Mobile-for-Cash ATM - Canadian Expansion	Renewables & Environment	Lead	Toronto Global
48	Smart lights and Connected Transit Infrastructure Systems	Automotive	Lead	Referral
49	Pilot Facility - EV Manufacturing	Automotive	Lead	Province
50	Aquaponic Food Production - Pilot Project	Food Production	Lead	Referral
51	EScooters Mobility - North American Expansion	Automotive	Lead	Toronto Global
52	Digital Printers Manufacturing Facility	Mechanical or Industrial Engineering	Lead	Direct Inbound

No.	Investment lead/Inquiry	Industry	Stage in Pipeline	Company Source
53	Mobility and Transportation Technology Development	Automotive	Lead	Referral
54	Automotive Manufacturing Expansion	Automotive	Lead	Direct Inbound
55	Agriculture/Food Production Facility	Food Production	Lead	Province
56	Automotive - Office Relocation	Automotive	Lead	Direct Inbound
57	Automotive Product Development Services Company	Automotive	Lead	Referral
58	Protein Production Plant	Food Production	Lead	Province
59	Business Park for Light Manf	Real Estate	Lead	Direct Inbound
60	Automotive Manufacturing Facility	Automotive	Lead	Referral
61	Warehousing/small office space	Facilities Services	Lead	Direct Inbound
62	Land for a Pharmaceutical Plant	Real Estate	Lead	Referral
63	EV Manf Facility	Electrical/Electronic Manufacturing	Lead	Province
64	Hydrogen-based Mobility Manufacturing Facility	Renewables & Environment	Lead	Mission - Channel Partner
65	Waste to Biofuels Facility	Renewables & Environment	Lead	Mission - Channel Partner

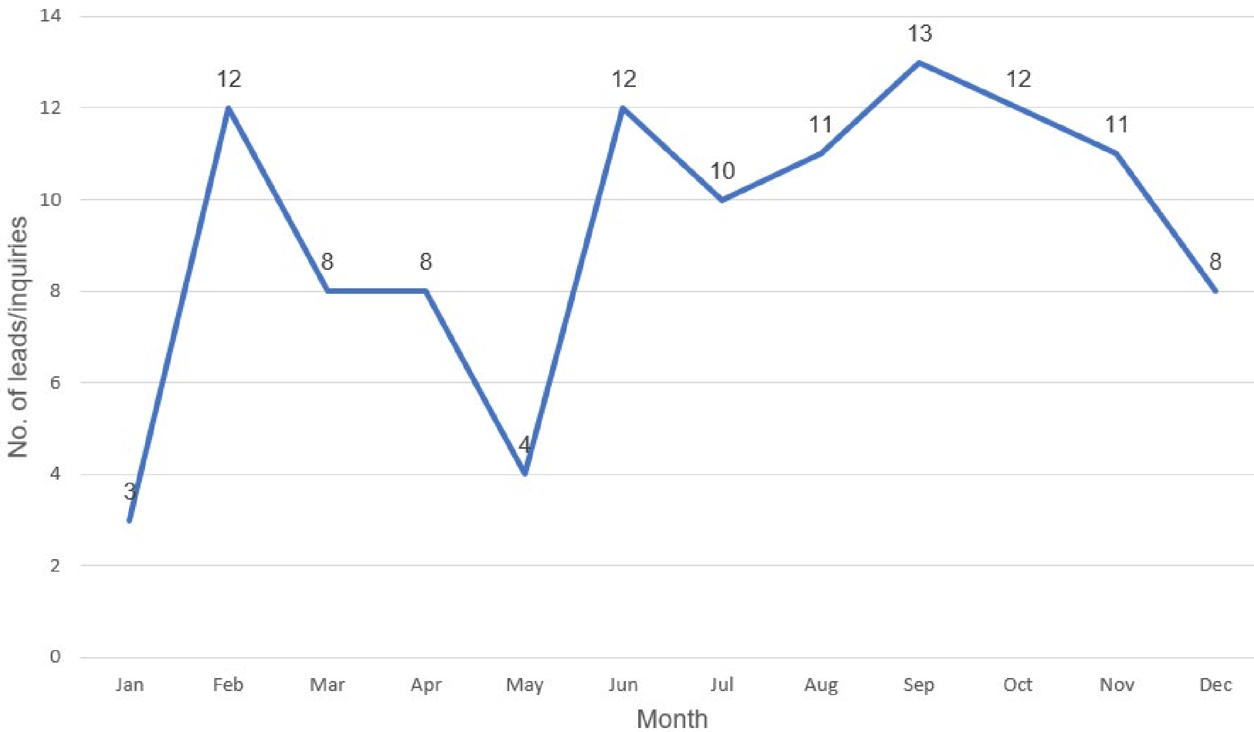
No.	Investment lead/Inquiry	Industry	Stage in Pipeline	Company Source
66	Car Data & Vehicle Diagnostics Company - Sales Office	Computer Software	Lead	Mission - Channel Partner
67	Large Automotive Facility	Automotive	Lead	Province
68	E-plating Manufacturing Facility - Automotive Parts	Automotive	Lead	Province
69	Funeral Home	Events Services	Lead	DEDP Member
70	Protein Extraction for Food Industry	Food Production	Lead	Province
71	SAP based IT Firm - Office in Durham	Information Technology and Services	Lead	Referral
72	Hydroponic VF/Greenhouse	Food Production	Lead	Direct Inbound
73	Energy Management Solutions Provider	Renewables & Environment	Lead	Toronto Global
74	Energy Management Solution - Sales Office	Renewables & Environment	Lead	Mission - Channel Partner
75	Energy from Wastewater Project	Renewables & Environment	Lead	Referral
76	Consulting & Software Development - Expansion within GTA	Computer Software	Lead	Mission - Channel Partner
77	Smart Energy- Engineering & Sales Office	Computer Software	Lead	Mission - Channel Partner
78	Fleet Electrification - NA Expansion	Automotive	Lead	Mission - Channel Partner

No.	Investment lead/Inquiry	Industry	Stage in Pipeline	Company Source
79	Microbiological Technologies - Distributor Search	Chemicals	Lead	Province
80	Robotics in Mobility - NA Expansion	Automotive	Lead	Mission - Channel Partner
81	Energy Generation and Management Company	Renewables & Environment	Lead	Mission - Channel Partner
82	Energy Infrastructure Company	Renewables & Environment	Lead	Mission - Channel Partner
83	Software-driven Home Energy Solutions Facility - Solar	Renewables & Environment	Lead	Mission - Channel Partner
84	Packaging Film Manufacturing Facility	Packaging and Containers	Lead	Referral
85	Warehousing and Distribution Facility	Warehousing	Lead	Referral
86	E-mobility Trucks and Delivery Vans Manufacturing	Automotive	Lead	Toronto Global
87	Commercial Aquaculture Facility	Fishery	Lead	Province
88	Compostable Packaging – company expansion	Packaging and Containers	Lead	Mission-Channel Partner
89	Route Optimization Technology Company	Computer Software	Lead	Mission-Channel Partner
90	Life Sciences Facility Expansion	Biotechnology	Lead	Referral
91	Fresh Food Meals Facility	Food Production	Lead	Province

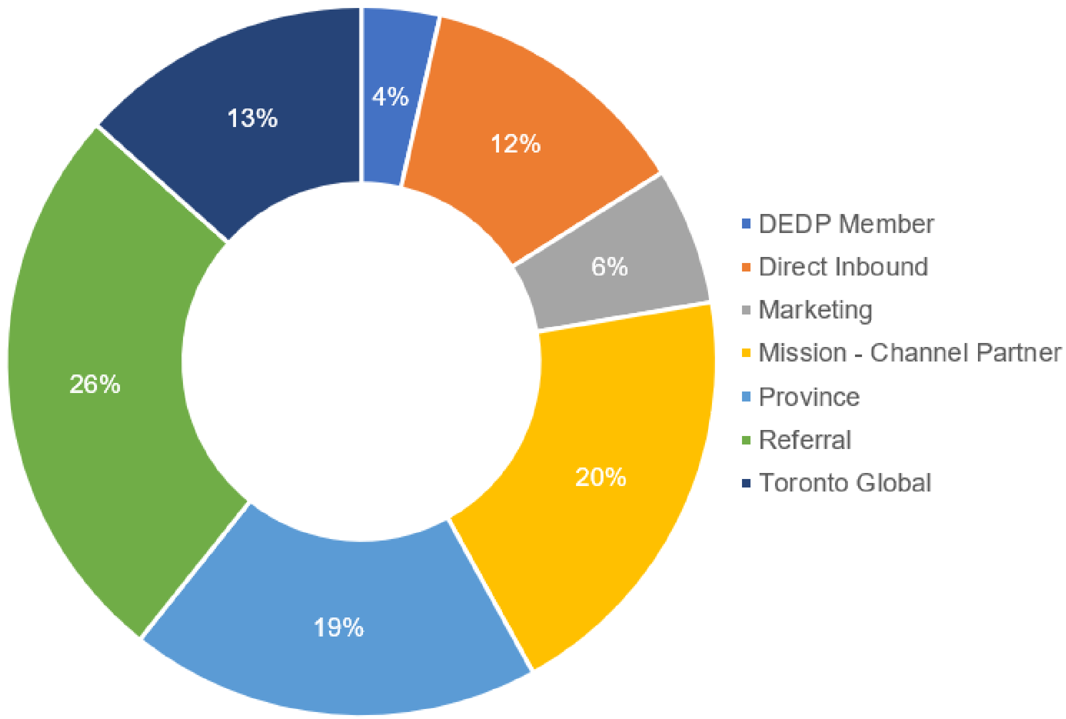
No.	Investment lead/Inquiry	Industry	Stage in Pipeline	Company Source
92	Automotive Parts Manufacturing Facility	Automotive	Lead	Province
93	Computer Software Company - Industry4.0	Computer Software	Target	Marketing
94	mRNA vaccine facility Canada	Biotechnology	Target	Marketing
95	Refractory Brick Production	Construction	Closed Hold	Referral
96	Advanced Mobility Technology Development	Automotive	Closed Hold	Referral
97	Battery Production	Renewables & Environment	Closed Hold	Toronto Global
98	Plant-based Dairy Alternative - Food Production Company	Food & Beverages	Closed Hold	Province
99	Telemedicine Company Headquarters	Information Technology and Services	Closed Hold	Referral
100	Electronics Manufacturing for Energy - Canada expansion	Renewables & Environment	Closed Hold	Mission - Channel Partner
101	EV Batteries Manufacturing	Automotive	Closed Hold	Toronto Global
102	Sustainable Investments - Regenerative Agriculture Operation	Investment Management	Closed Hold	Referral
103	Manufacturing Client of a Realty Company	Electrical/Electronic Manufacturing	Closed Lost	Referral
104	Dairy Product Processing Facility	Dairy	Closed Lost	Province

No.	Investment lead/Inquiry	Industry	Stage in Pipeline	Company Source
105	Medical Technology Company Office	Information Technology and Services	Closed Lost	Referral
106	Automotive Salvage Yard - land requirement	Real Estate	Closed Lost	Referral
107	Market Research - Office Space	Market Research	Closed Lost	Direct Inbound
108	Soybean Protein Isolate Production (Pilot)	Food Production	Closed Lost	Province
109	Industrial kitchen - GTA Expansion	Food & Beverages	Closed Lost	Mission - Channel Partner
110	Printing Facility	Printing	Closed Lost	Direct Inbound
111	Electrical Products (Wiring) Manufacturing Facility	Electrical/Electronic Manufacturing	Closed Lost	Referral
112	Small Modular Reactors Technology - Engineering Services Office	Oil & Energy	Closed Lost	Marketing

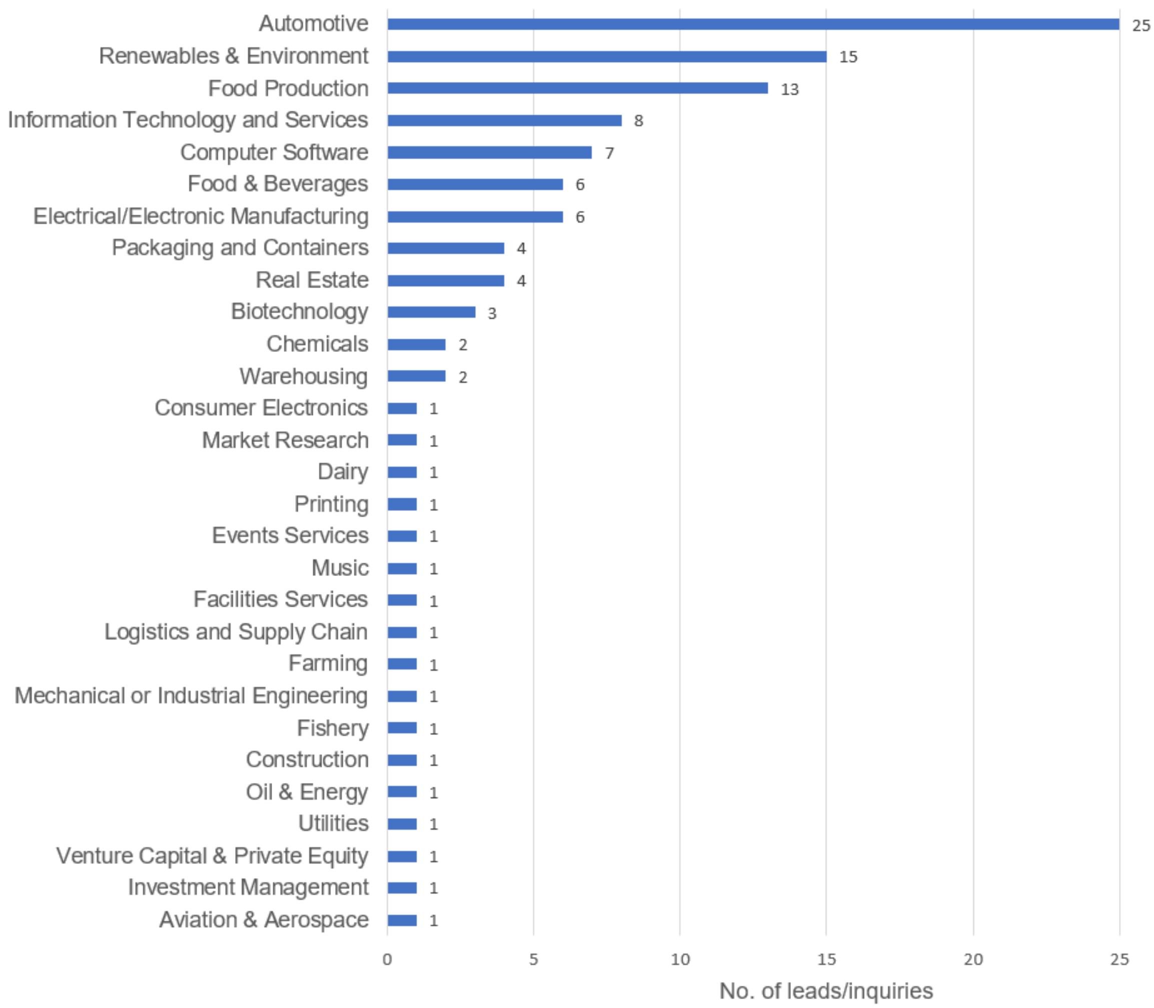
Appendix 3: Investment Leads/Inquiries by month, 2021



Appendix 4: Investment Leads/Inquiries by source, 2021



Appendix 5: Investment Leads/Inquiries by Industry, 2021



Appendix 6: Missions and Events, 2021

Event	Month	Purpose	Partner	Leads	Targets
Energy, Environment, and Engineering – EN3 Lead Generation Campaign	Ongoing	Investment Attraction	Third Party Consultant	23	351 companies contacted
Collision 2021	June	Investment Attraction	N/A	1	110 company interactions during the event
Realtor/Developer Event	Oct	Relationship Building	DEDP	1	N/A
Energy Innovation Campaign	Aug	Investment Attraction	Toronto Global	1	N/A

Appendix 7: Inbound Delegations to Durham Region, 2021

Delegation	Purpose	Partner	Outcome
Company: battery production for electric vehicles	Site Selection	Toronto Global	Invest Durham hosted a company delegation in EV battery manufacturing industry. Regional staff, along with a team from Toronto Global, arranged a visit to a 200+ acre potential investment site and tour of the 1855 Accelerator in Whitby. The project is currently on hold.
Company: an international packaging products manufacturing company	Networking and relationship building	Toronto Global	Invest Durham hosted a senior representative from an international packaging company seeking to establish a manufacturing plant in Canada. Regional staff showcased the business ecosystem in Durham and arranged a tour of industrial hubs. Presently, potential real estate sites are being reviewed by the investor.
Company: A medical technology company	Site Selection	None	Regional staff arranged and hosted site visits in Ajax and Pickering for a MedTech company seeking to launch their headquarters in Durham Region. The sites are being evaluated but the decision has been put on hold until Q1 2022.
Company: An international information technology company	Site selection	Toronto Global	Regional staff hosted an international delegation from a supply chain technology company seeking office space in the Toronto region. The staff arranged visits to Spark Centre, 1855 Whitby, followed by a community tour to showcase the infrastructure/real estate development in Durham. The company has decided to locate in another jurisdiction in Ontario.

Delegation	Purpose	Partner	Outcome
National Association of Software and Services Companies (NASSCOM) delegation	Business expansion and networking	Toronto Global	A delegation of more than 35 Indian IT companies visited the AI Hub at Durham College. Invest Durham coordinated with AI Hub to present and showcase the business ecosystem and opportunities Durham Region can offer in the IT industry. The event allowed Regional staff to network with the companies as well as Provincial representatives accompanying the delegation.

Appendix 8: Successful Investments, 2021

Delegation	Regional Role	Partner	Outcome
Autocrypt	Support	Toronto Global	South Korean Autocrypt, a global leader in the emerging smart mobility cybersecurity industry, announced 1855 Whitby to be its corporate location in Canada. In 2020, Invest Durham hosted a delegation from KOTRA and Toronto Global and showcased the business ecosystem in Durham Region, including 1855 Accelerator in Whitby. Since then, there has been a strong interest for 1855 among Toronto Global's South Korean leads.
Aves Coffee	Support	None	Aves Coffee reached out to Invest Durham to receive support to launch its roastery in Durham. Aves Coffee is an environment-friendly company that raises awareness about endangered bird species, supports organizations that protect bird habitats, and sources organic coffee that is produced using methods that protect bird habitats. Invest Durham supported Aves Coffee with information and helped them make further connections in the community.
Inclusive Instruments	Lead	None	Inclusive Instruments provides adaptive musical instruments, and strives to create meaningful social connections, through music, for anyone living with a disability. Inclusive Instruments met with Invest Durham as a result of Durham's participation in Collision in 2020. Invest Durham supported the company in building a network

Delegation	Regional Role	Partner	Outcome
			in the Durham Region, including with potential partners such as the Abilities Centre.
7Spices – Industrial Kitchen	Support	None	7Spices opened its industrial kitchen in Oshawa. Invest Durham, along with DEDP, supported the company with information on real estate and zoning for setting up the kitchen. Ultimately, the company found a location that suited its budget through its realtor but valued the Regional support.

Resolutions from Advisory Committees

Durham Environmental Advisory Committee

1. Inclusion of the Carruthers Creek Headwaters in the Greenbelt

   That we recommend to the Planning and Economic Development Committee for approval and subsequent recommendation to Regional Council:

   That the Durham Environmental Advisory Committee requests that Regional Council support the inclusion of the Carruthers Creek Headwaters in the Greenbelt Plan and that the Ministers of Environment, Conservation, and Parks, and Municipal Affairs and Housing be notified.