

City of Medicine Hat Strategic Economic Development Priorities and Implementation Considerations



Photo from City of Medicine Hat Photo Gallery

October 2014

Assisted by: **EcDev** Solutions Ltd.

City of Medicine Hat

Strategic Economic Development

Priorities and Implementation Considerations

1. Executive Summary

The City of Medicine Hat has a long history of investment in economic development. Recent questions regarding the effectiveness of these efforts resulted in a review in October 2013. One of the recommendations of the review indicated the need for an economic development strategic plan to guide efforts in the delivery of economic development of the City. This resulted in the development, by City Council, of the “Medicine Hat Council Strategic Plan – 2014-2018 Highlights”. The following report builds on the strategic direction contained within that Plan and is focused expressly on economic development.

Council’s Vision for Medicine Hat in 2040 is:

- A Growing Economy
- Vibrant Communities in a Developing City
- Financial Responsibility
- Sustainable Environment and Infrastructure
- Effective Leadership and Governance

Furthermore, Medicine Hat Council has established the following six key priorities for 2014-2018:

- Economic Development
- Infrastructure and Amenities
- Social Wellness
- Image and profile
- Fiscal Management
- City Government

These aspirations and priorities are essential to sound and sustainable economic and community development.

To set economic development priorities, City Council was provided with key economic and community information as background for their review and then, through a facilitated session, selected key priorities for the future.

The top 5 economic development priorities, as selected by Medicine Hat’s City Council are:

Development of the River Valley and other Tourism Destination assets;

The highest priority for economic development in Medicine Hat has been determined to be the improvement of the tourism assets and experiences for visitors.

City of Medicine Hat

Strategic Economic Development

Priorities and Implementation Considerations

Airport and air services expansion, airport land development;

Council's second highest economic development priority is to vigorously pursue expanded air services, both scheduled and chartered, at the Medicine Hat Regional Airport. In addition, Council wishes to leverage the land assets at the airport for economic development opportunities.

City Hall "Open for Business" – ensuring a business friendly environment;

The third priority for Medicine Hat is to improve the perceived, and actual, "Open for Business" environment at City Hall.

Capitalize on industrial development and "value add" opportunities for the abundant local agricultural inputs;

Council's fourth priority for strategic economic development is to attract industrial investment and capitalize on the multitude of agricultural inputs available in the region and to build on and diversify the already well developed opportunities for expanded greenhouse operations.

"Telling the Medicine Hat story" – communication and promotion;

Finally, the fifth highest priority for economic development is the promotion of Medicine Hat and the telling of the "Medicine Hat story".

Next, the appropriate structural form to deliver economic development choices was considered. Currently four out of five of the above initiatives are being worked on by City administration. It is recommended that these receive the focused attention and resources needed to be successfully completed in a timely manner. Furthermore, it is also recommended that sufficient and appropriate resources be made available to undertake specialized economic development activities through contractors.

Now that Council's Strategic Plan is completed and the selection of strategic economic development priorities has been accomplished, the detailed work can begin with focused effort, resources and enthusiasm. This should include the development and implementation of a comprehensive economic development plan, based on strategic priorities as noted above.

There is also a need to determine the appropriate mix of economic development activities and establish priority actions to focus on and deliver. These would include Business and Investment Attraction, Business Expansion and Development, and Research, Marketing and Promotion efforts. These activities are well known, sound economic development practices and principles.

City of Medicine Hat Strategic Economic Development Priorities and Implementation Considerations

2. Introduction and Background

The City of Medicine Hat has a long history of investment in economic development. Initially as an internal department in the 1990's this has transitioned to a number of arm's length relationships with external organizations in the early 2000's. Recently questions arose regarding the effectiveness of these efforts which resulted in a review in October 2013. One of the recommendations of the review indicated the need for an economic development strategic plan to guide the efforts of Administration and service providers in the delivery of economic development in Medicine Hat. The result was the development, by City Council, of the "Medicine Hat Council Strategic Plan – 2014-2018 Highlights". The following builds on the strategic direction contained within that Plan.

Medicine Hat City Council members were provided a background briefing document to ensure all were working from a common base of current, factual information pertaining to the Medicine Hat Census Agglomeration Area which includes the City of Medicine Hat, the Town of Redcliff and Cypress County. All information measured change over the period 2006-2011, average annual rates of change and compared Medicine Hat with similar changes in Alberta. This information was provided in advance of a facilitated session held on September 16, 2014 and included:

- Population and growth rates,
- Incoming population migration,
- Home based business information,
- Unemployment rates,
- Job creation, growth rates and proportional share of the overall economy by industry sector,
- Change in industry proportional share of employment, and
- Location quotients – comparing industry employment concentrations in Medicine Hat with the Canadian averages.

Community assets and strengths, as compiled from numerous published sources, were also distributed. This short report also noted previously identified sectors for development and industry strengths extracted from published reports commissioned and provided by external agencies. City policies and actions designed to stimulate development were also described. Finally, community realities including challenges to be overcome if possible were identified by Council to assist with the selection of economic development priorities.

Based on this information and augmented by their individual understanding of the community and its needs and opportunities, Council then brainstormed various economic development priorities including identifying the underlying rationale for proposing individual items. Priorities were then selected, by the entire Council, through a visible democratic vote – each Councilor had 12 votes to use in any way they wished. Each Councilor also had 4 veto votes they could use if they strongly opposed pursuing any

City of Medicine Hat

Strategic Economic Development

Priorities and Implementation Considerations

specific initiatives. Of all 35 initiatives suggested only 3 were vetoed. The top 5 priorities follow in section 4, in order by identified strength of preference based on the number of votes received.

3. Council’s Community Vision and 2014-2018 priorities

As previously noted, Medicine Hat is very fortunate to have recently completed a Council Strategic Planning effort which provides an excellent foundation for establishing economic development priorities. Council’s Vision for Medicine Hat in 2040 is as follows:

- A Growing Economy
- Vibrant Communities in a Developing City
- Financial Responsibility
- Sustainable Environment and Infrastructure
- Effective Leadership and Governance

Furthermore, Medicine Hat Council has established the following six key priorities for 2014-2018:

1. Economic Development
2. Infrastructure and Amenities
3. Social Wellness
4. Image and profile
5. Fiscal Management
6. City Government

All of these aspirations and priorities are essential to sound and sustainable economic and community development. Businesses considering investment into the community will be encouraged to see the focus of Council on these areas as they are all necessary to support businesses, families and employees.

City Council also established a number of Key Results with two, and associated Strategic Priorities, related to economic development.

“Economic Development – We foster a sustainable, growing and diverse economy with a strong industrial base and a vibrant downtown.”

“Image and Profile – We promote our distinctive community and excellent quality of life to our citizens and the world.”

From: Medicine Hat Council Strategic Plan
2014-2018 Highlights

The following work focuses on economic development, but more specifically on business and investment attraction and the setting of key strategic priority targets to provide direction

City of Medicine Hat

Strategic Economic Development

Priorities and Implementation Considerations

for the establishment of focused implementation plans and tactics – a necessary action and the next step to be taken in moving towards realizing stated goals and objectives.

4. Specific Economic Development Priorities

As noted above, the following economic development priorities have been determined by Medicine Hat City Council and are presented in priority order.

i. The River Valley, and other Tourism destination developments and initiatives

The highest priority for economic development in Medicine Hat has been determined to be the improvement of the tourism assets and experiences for visitors. Specifically, the beautiful South Saskatchewan River valley running through the centre of the City has been identified as being an underdeveloped tourism magnet that has abundant appeal for both residents and visitors alike.

A number of very specific initiatives have been suggested that bear further scrutiny and feasibility evaluation. These include:

- Enhance Echo Dale Regional Park,
- Campground development,
- Develop Medicine Hat as a cultural destination,
- Position and develop Medicine Hat as a Sports Tourism destination, and
- Create 2 new Tourism destinations along the South Saskatchewan River.

ii. Expansion of services at the Airport and Airport land development

The ease with which business people, tourists, residents and investors alike can access a community can often make the difference in individual choice of location – either to live, visit, work or invest. Medicine Hat's City Council has determined that the second highest economic development priority is to vigorously pursue expanded air services, both scheduled and chartered, at the Medicine Hat Regional Airport. Associated with this strategic focus will be the need for expanded airport facilities which are currently under development.

It is well understood that Airports are economic engines for communities. They represent enterprise, business, convenience, and recreation. There are a large number of innovative initiatives that may be pursued once improved air services are available to facilitate better movement of people and goods. Furthermore, the reputation of the City will be enhanced as better air connections become available.

City of Medicine Hat

Strategic Economic Development

Priorities and Implementation Considerations

The Airport contains substantial amounts of developable land that could be leveraged for economic growth, investment attraction and clean industry development. Council wishes to take advantage of these strategically located lands to attract investment ranging from airport related business to highway commercial, light industrial to business park concepts.

iii. City Hall – “Open for Business”

The third priority for Medicine Hat is to improve the perceived, and actual, “Open for Business” environment at City Hall. While a substantial amount of work in this area has been accomplished recently, there is still room for streamlining and improvement. In particular, the development process is frequently cited as being overly cumbersome and difficult.

Numerous national and international studies have found that the business environment that investors encounter is a critical element needed for sound and sustainable economic development. In fact, given two equally attractive investment opportunities the type of business environment encountered can make the difference between success and failure to complete the investment.

A community’s business environment is comprised of two, equally important elements – infrastructure development, maintenance and improvement and a “business friendly City Hall”. Both elements are within the control of the elected officials and city administration of any community. Of course, fiscal constraints are very real contributors to any community’s ability to install, maintain and improve the physical infrastructure. At the same time though, a business friendly city hall has at its core an attitude – something that really doesn’t cost a lot, but makes a world of difference to a customer.

Medicine Hat is fortunate in this regard as there is evidence of continued demonstrated willingness on the part of administration to work together to make an “Open for Business” environment a reality.

iv. Capitalize on industrial development including agricultural inputs and Greenhouse opportunities

Medicine Hat City Council’s fourth priority for strategic economic development is to capitalize on industrial development and the multitude of agricultural opportunities available in the region.

Existing industrial operations such as Cancarb, Methanex, CF Industries and Goodyear Canada have contributed significantly to the economic opportunities in the community. In its fourth priority Council has identified that by leveraging the City’s assets (land and utilities) in combination with the community’s assets (active workforce, Medicine Hat College, entrepreneurial spirit) there is a very good chance that additional manufacturing

City of Medicine Hat

Strategic Economic Development

Priorities and Implementation Considerations

and/or value add energy industries could be attracted to Medicine Hat. These industries bring significant capital investment and typically result in long term operations with medium to high paying employment.

Agriculture is a primary contributor to the economy in the Medicine Hat area. With an abundance of sunny days and a long growing season the area produces a variety of crops which provide feed for the livestock industry and raw materials for food processing industries. Much of the area is irrigated although traditional dry land farming is still predominant. Wheat constitutes a major portion of both dry land and irrigated crops. Other crops include canola, flax, barley, and oats. Specialty crops include corn, carrots, safflower, sunflowers, and beans. In addition, the Medicine Hat-Redcliff area is known as the “Greenhouse Centre of Western Canada”, with more acres of installed greenhouses than any other area (approximately 107). This has been facilitated by ready access to relatively inexpensive natural gas and other heat sources. The cattle industry is also a major component of the agricultural sector around Medicine Hat. Finally, food processing is potentially an important economic development opportunity in southern Alberta.

Further agriculturally based opportunities may be present in the area of value added processed food and pre-prepared meals taking advantage of the readily available competitive inputs – vegetables, water, meat, lower cost utilities, lower cost land base, and access to highway transportation.

v. Telling the Medicine Hat Story – communication and promotion

Finally, the fifth highest priority for economic development is the promotion of Medicine Hat and the telling of the “Medicine Hat story”.

Medicine Hat does have a compelling story to tell. The information to construct these messages has to be collected, kept up to date, refreshed regularly and communicated with a number of varied audiences with differing needs. Potential partners need this information to ensure the messages they are delivering are cohesive and unified and that everyone is telling the same story. Residents need to hear the Medicine Hat story to increase citizen confidence and pride. Visitors rely on external marketing to make visitation plans. Businesses rely on this information to make investment decisions – both expansion and relocation.

The story should be regularly told to residents and businesses who will all become advocates and ambassadors for the community when they travel, speak with friends and families, and other business contacts outside of Medicine Hat.

The story also needs to be specifically tailored for certain audiences, in the form of business cases, and then delivered in very focused ways to target markets and target prospects that have both been pre-qualified.

City of Medicine Hat

Strategic Economic Development

Priorities and Implementation Considerations

5. Implementation Considerations

i. Service Delivery Choices

There are, of course, a number of different organizational structures that could develop and deliver on an economic development strategy. These include:

- A not-for-profit organization,
- A City department,
- Contracts with one or more existing organizations,
- Individual contracts with private sector, for profit companies, or
- An appropriate mix of all of the above.

Each delivery choice should be evaluated to determine which is best suited to delivering the outcome needed. Capacity for delivery must also be considered as should value for the City's investment.

By far the predominant economic development organizational structure present in Alberta today is Municipal departments. There are also a number of stand alone not-for-profit organizations which are typically found in the larger centers but invariably the City is the major, if not sole, shareholder. Both Municipal departments and not-for-profits often utilize external consultants / contractors for specialized expertise on an as needed basis and to provide short term assistance, expert advice and external objectivity. Specialized services used typically consist of:

- Strategic economic development planning,
- Opportunity identification and business case development,
- Market research and analysis,
- Community branding,
- Investment attraction strategic planning, and
- In-market leads generation and qualifying prospects.

It is recognized that the City of Medicine Hat administration is already working, to some degree, on four of the five City Council priorities for economic development noted above. It is therefore recommended that Council, and administration, ensure that appropriate resources are made available, in the right amount and at the right time, to ensure these key initiatives are accomplished in a timely manner. Furthermore, there are a number of specialized economic development activities that will need to be undertaken in the near term ranging from Feasibility Studies to Business Visitation Programs to Opportunity Validation and Leads Generation to name a few. There is no need for the City to staff these specialized activities themselves, but ensuring that appropriate personnel and financial resources are available to see these through to fruition via contractors is highly recommended.

City of Medicine Hat

Strategic Economic Development

Priorities and Implementation Considerations

The determination of the most appropriate structural model to best suit Medicine Hat's needs should be the next step towards the establishment of specific actions, tactics, budgets and performance targets.

ii. Business and Investment Attraction

The underlying heart of effective business and investment attraction programs lie in the ability to focus on a limited number of targets and develop sound business cases to facilitate their pursuit and, ultimately, successful attraction. Once targets have been selected, by whatever means chosen, there is a crucial role to be played by the private sector. With their networks of other business owners and operators, especially from outside of the community, Medicine Hat's business community is well positioned to be ambassadors, door openers, influencers, and an on the ground "sales force" with incoming potential new businesses. In fact, the local business community can often be a rich source of potential key targets as they are already aware of their supplier networks and other businesses seeking appropriate and viable investment opportunities.

An important ingredient in successful business investment attraction rests to a large degree, in the ability to focus efforts on specific targets which should lead to maximum returns. Fortunately, a number of rigorous analytical tools exist to help economic developers, and communities, refine their areas of focus, and hence concentration of effort.

A critical element in business attraction is getting on the radar early and maintaining an appropriate level of engagement, since it does not matter how well a region can execute on a project if it is not included in the process from the beginning or does not properly cultivate the relationship.

An equally important key to success is committing to the long term in cultivating relationships. Investment attraction is a "long sales cycle" process that typically takes many months, sometimes years, for opportunities to evolve into projects and ultimately investments.

Furthermore, most companies, especially small and medium sized enterprises, are likely to consider strategic alliances or partnering as one of their options for business expansion, instead of, or in addition to the option of direct investment. Direct investment may take place as a subsequent step but it is not the only way for a region to obtain economic development benefits from a foreign or external company's business expansion. Strategic alliances and partnering can also result in the creation of sustainable new jobs and enhanced economic activity. Any region not willing to engage targets in a discussion of the full range of their business expansion options will inevitably miss opportunities.

There are a variety of types of investment attraction opportunities including:

City of Medicine Hat

Strategic Economic Development

Priorities and Implementation Considerations

- Grand Prize - capital investment that creates significant, well-paying jobs and substantial additions to the tax base,
- Smaller to medium scale capital investments,
- “Beachheads” - sales and marketing offices, focused on developing market share,
- Joint ventures and acquisitions of in-region players, potentially leading to further investment, but also risking consolidation/rationalization/downsizing plays,
- Research and Development collaboration to develop marketable products/services, and
- Sub-contracting and supply chain development - investment does not often happen without some kind of trade happening first.

Opportunities for beachhead and future investment should be cultivated, even if the returns cannot be quantified immediately. These will be important components of ‘networking’ the value propositions of Medicine Hat and will help reinforce positive perceptions as these relationships grow.

iii. Business Retention and Expansion

The value of business retention and expansion activities should not be underestimated. These activities are usually based on a local Business Visitation Program where the focus is on growth, expansion, import replacement, and the identification of barriers, obstacles and hurdles that need to be removed. These actions can be enhanced and accelerated through formal education programs targeted to business needs, incubator programs, and the establishment of effective business support organizations.

Given that a large portion of the total new business investment in a region is reinvestment by existing companies, the investment attraction strategy must be closely aligned with the business retention and expansion program. This is to ensure that the investment attraction program can benefit from:

- Market intelligence from existing investors and indigenous companies about trends and opportunities in their sectors, including suggestions of and referrals to potential targets,
- The development of a directory of regional businesses and capabilities to aid in discussions with prospects about their business growth options,
- Information about expansions by foreign companies with existing operations in the region,
- Information about possible new investments by other divisions of foreign companies with existing operations in the region,
- Testimonials from existing business leaders and their input to value propositions, and
- The participation by local business leaders in external company visits to the region.

City of Medicine Hat

Strategic Economic Development

Priorities and Implementation Considerations

iv. Research, Marketing and Promotion

To succeed in today's highly competitive marketplace, economic development is an incredibly information intensive undertaking. Today's investors, both local and external, are very sophisticated and typically use third party, verifiable information on which to base their investment decisions. Therefore, it is crucial to Medicine Hat's economic development future that appropriate economic base information not only be collected, maintained, and be made widely available, but it must be augmented with additional information for promotional, advertising and business attraction efforts. Typically, the following is the minimum business and market research activities that are needed to support effective economic development and community promotional efforts:

- Provide up-to-date information about Medicine Hat's key economic sectors and their recent performance,
- Identify and evaluate current issues impacting Medicine Hat's economic development and performance,
- Identify internal and external economic trends and target opportunities for business development,
- Compile and disseminate key statistics and economic indicators about Medicine Hat, including current socio-demographic information,
- Collect and provide community lifestyle and tourism information,
- Evaluate potential target markets as opportunities for Medicine Hat companies,
- Evaluate the business needs of Medicine Hat to identify specific target industries and companies for business investment attraction activities,
- Identify prospective target company leads for investment attraction efforts and pre-qualify their interest and intentions, and
- Develop and package information to be used as preliminary business cases for presentation to those targeted, pre-qualified companies in business investment attraction efforts.

Marketing and Promotion are the outreach efforts that inform potential new businesses and tourists about Medicine Hat, the opportunities, and the attractions available. Today's marketing environment is absolutely full of "community and experience messages" from competing communities. It is therefore imperative that Medicine Hat's message be as crisp, clear and compelling as possible in order to be noticed in this "noise". The objective of these messages is to convey that Medicine Hat is THE preferred location to work, shop, visit and live, as well as a community that not only knows where it is going, but also knows how it is going to get there – the existence and implementation of its economic development strategy.

At the same time, there is an overwhelming choice of marketing and promotion vehicles available ranging from print, the internet, social media, streaming video and audio, to radio,

City of Medicine Hat

Strategic Economic Development

Priorities and Implementation Considerations

television, trade shows, and outgoing prospecting missions. A careful analysis of the effectiveness and reach of these instruments will pay off handsomely to ensure the maximum exposure to the appropriate audiences. Also, as no community can possibly afford to advertise and promote itself in all markets in Canada, let alone North America and overseas, Medicine Hat will need to conduct a careful analysis to ensure they are investing in the appropriate markets where their targets – both businesses and tourists – can be reached most effectively and efficiently.

As usual, marketing and promotion investments can always be leveraged with those already being made by the private sector and other community organizations and institutions. An important caveat is to ensure that all of the various messages being delivered regarding development, amenities and quality of life in Medicine Hat are consistent and that they re-enforce each other – a key deliverable of an effective economic development strategy.

City of Medicine Hat Strategic Economic Development Priorities and Implementation Considerations

6. Conclusions

Now that Council's Strategic Plan is completed and the selection of strategic economic development priorities has been accomplished, the detailed work can begin with focused effort, resources and enthusiasm.

As noted above, the next logical step is the selection of the appropriate delivery mechanism or mix of mechanisms required to meet the needs of the community.

This should be followed by the development and implementation of a comprehensive economic development plan, based on strategic priorities as noted above. This plan will necessarily include projects; priorities; the assessment of options; feasibility reviews of various choices that must be made; action plans with budgets, performance targets (based on expected outcomes) and measurement metrics; evaluation systems and processes; and finally, communications and reporting protocols. Included in this work would be the selection of an appropriate mix of implementation activities (investment attraction, retention and expansion, research, marketing and promotion) and the allocation of proportional concentration of effort, resources and including budgets.