

Town of Markham

**Economic Sectors Analysis
– Executive Summary**

*Prepared for: Town of Markham
Economic Development Department*

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Executive Summary

In the fall and winter of 2006, the Town of Markham's Economic Development completed an Economic Sectors Analysis (Phase I to a broader Competitiveness Strategy study program) in order to gain a better understanding of the economic sectors of importance to the Town of Markham and provide context and input to the development of the Town's economic development strategy.

A central goal of this analysis was the need to better understand Markham's economic strengths and weaknesses as well as its opportunities and threats to new business investment. This in turn would better inform in its formulation and adoption of an economic development strategy that better meets the needs of a growing and highly skilled community. Building on the success that Markham has derived from successful local and regional collaborations as well as effective community branding, the Town is ensuring that it remains vibrant and competitive, and has the tools necessary to respond to a marketplace that has become increasingly global in nature.

The methodology used to prepare this analysis has included a range of efforts:

- A Literature Review of Available Background Documents, Studies as well as other Relevant Material;
- Community and Economic Profiling;
- Sectoral and Employment Concentration Analysis and Target Sector Identification;
- An Investment Capacity Assessment
- A Stakeholder Consultation Program with Local Business Leaders, Provincial and Regional Economic Development Agencies, local business associations and public officials;
- A Community Competitive Analysis;
- SWOT (Strengths, Weaknesses, Opportunities and Threats) Analysis; and
- Input to the development of an Economic Development Strategy.

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The following discussion summarizes the key findings as it relates to the positioning of the Town of Markham for future targeted business attraction and expansion efforts.

Summary of Key Findings

- The 15 to 24 age cohort comprises one of the largest proportions of the local population and the 25 to 29 age cohort has experienced significant growth, increasing an estimated 40% from 2001. This confirms that Markham has a growing and young employment base.
- Markham is experiencing significant growth in the working age population and in the number of families comprising its population. At the same time, Markham is also experiencing significant increase in the percentage of its population nearing retirement age.
- The Town of Markham accounts for almost half of York Region's recent immigrant population and more recent immigrants moved to Markham between 1991 and 2001 than to any other municipality in York Region.
- Employment forecasts by York Region indicate that Markham's current employment levels have increased by 20% from 2001 which now is estimated to total better than 1 job per member of the resident labour force.
- A high proportion of Markham residents possess a post-secondary education. When compared to York Region and the Toronto CMA, Markham demonstrated the highest levels of residents with a University level education. Many of the recent immigrants to the Town are also well educated. Statistics Canada has reported that recent immigrants to Markham have a comparable level of schooling to non-immigrants.
- The dominant fields of post secondary study include Commerce, Management and Business Administration and Engineering and Applied Sciences Technologies and Trades. The strength in both of these fields of study provides an advantage for Markham in its efforts to retain and attract knowledge based and business service industries.
- A very significant portion of the resident labour force continues to commute to employment outside of Markham. Taking into consideration the type of employment that would be needed to retain these workers, there may be an opportunity for the Town to convert out-commuters to work locally.
- Markham's limited housing options beyond single detached homes are a contributing factor to the Town's dependency on a large in-flow of workers. This is particularly true if companies are seeking to attract younger workers or workers at the lower end of the income scale. The average cost of housing in Markham when compared to other areas of the Greater Toronto Area is also deterring non-resident employees from moving to Markham. The current trend in Markham toward the development of more town-homes and apartments may help to alleviate the situation.

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- The Town of Markham has a comparatively high concentration of local employment in Wholesale Trade; Professional, Scientific and Technical Services; Administrative and Support, Waste Management and Remediation Services; and Finance and Insurance.
- In 2001, Markham's concentration of manufacturing activity comprised a broad range of businesses involved in food product manufacturing, clothing and textile manufacturing, furniture manufacturing and household and consumer goods manufacturing. The manufacturing sector is also comprised of a significant amount advanced manufacturing activity.
- There has been a modest overall decline in the number of manufacturing establishments, the exception being food manufacturing, furniture manufacturing and miscellaneous manufacturing. While the reasons for the decline are not specifically known, it is reasonable to suggest that the lack of suitable, serviced employment land to accommodate expansion or consolidation of operations coupled with increasing operating costs may have contributed to this trend.
- The loss of some advanced manufacturing employment associated with the life/bio science and information communication and technology sectors is a trend experienced across Canada, and should be a cause for concern for the Town given the significant presence of these sub-sectors across the GTA. Investment attraction efforts at the local, regional and provincial level suggest that the area continues to be competitively positioned to attract this form of investment given the demand for skilled workers.
- Among service-producing industries, the business services sector is the single-largest employer in Markham, accounting for 35.7% of total employment in the Town. Within Markham's business services sector, management of companies and enterprises, computer systems design and related services, business support services and architectural, engineering and related services are the dominant subsectors, accounting for 52.2%, 24.9%, 10.1% and 10.1% of business services employment, respectively.
- There has also been an increase in the number of Professional, Scientific and Technical Service firms in the Town, from 1,913 firms in 2002 to 2,163 firms in 2006. While it is anticipated that many of these firms individually only employ a small number of people, this sector continues to represent a significant opportunity for the Town in terms of investment attraction efforts, as it reinforces the fact that the Town has a well educated labour force that is concentrated in the knowledge industries and business service sectors.
- The Finance Services sector also represents a significant opportunity for the Town of Markham in terms of its investment attraction efforts. The Toronto region continues to be regarded as the financial capital of Canada and is the third largest financial services centre in North America. For its part Markham's has successfully attracted a significant number of head office and back office operations in this sector including AMEX Canada, TD Waterhouse, Liberty Mutual Insurance Group, and Allstate Insurance Co. of Canada.

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- Based on this analysis Markham's employment base can be said to have strengths in four key industry sectors. These include:
 - Manufacturing with a focus on Advanced Manufacturing in the Bio Science and ICT Sector (NAICS 31-33);
 - Professional, Scientific and Technical Services (NAICS 54);
 - Finance and Insurance (NAICS 52); and
 - Information and Cultural Industries (NAICS 51)
- The Town performs well against other jurisdiction when consideration is given to a range of business cost variables and key economic and innovation indicators. Business costs are competitive with select jurisdictions with the Greater Toronto and the Town has the capacity to support the growth of innovative firms, institutions and people.
- Individuals living and working in Markham enjoy the benefits and convenience of being located close to Toronto while living in a more suburban environment. As pressures to intensify the use of land within the GTA communities increase, the nature of the community will shift from suburban to a more mature, urban environment. This is evidenced in the rising cost of housing and greenfield development, increasing intensification, heightened use of public transit, and a shift in the form of housing stock from single family to semis, townhomes, and condominium development.
- As with many communities across Ontario, Markham businesses are experiencing difficulty recruiting for skilled and semi-skilled positions. The perceived high cost of housing and property tax rates combined with the historical lack of housing choices, are a deterrent for some workers, particularly those at lower income levels. The lack of a rapid and accessible public transit service that connects Markham with surrounding jurisdictions is also seen as a recruiting and retention issue.
- There is a positive business climate in Markham that fosters constructive and proactive interaction between Town staff/Council and the business community. A strong and consistent message from Mayor and Council to the business community on the importance of business to the Town has resulted in a high level of engagement by the business community in community-led economic development initiatives.
- The Town has made strong commitments to strategic collaborations aimed at distinguishing Markham as a leading high-tech community. These efforts have included the ISCM, YorkBIOTECH, MSBEC and NRC projects.
- In terms of industrial/employment land development, Markham had the second highest absorption rate in York Region during the period 2001-2004. While there is a 10 year supply remaining, the employment lands are scattered amongst a large number of small

sites, and only one large area of vacant employment land remains. The retention of a large parcel of land for prestige campus style developments is a challenge for Markham.

Based on the results of the Economic Sector Analysis, the following recommendations were provided to the Town for consideration in the development of an economic development strategy:

1. The Town needs to articulate a clear vision for the community as it transitions from a suburban community to an urban growth centre. This has implications for the type of housing that needs to be created, the type of industry it should be trying to attract and the type of amenities that it will need to provide its residents. This vision also needs to reflect an appeal to a younger workforce.
2. More direct involvement with the business community is required to better understand the value that Markham creates for these businesses. There needs to be more regular contact with local industry, particularly growing small and medium sized firms in the Town's target sectors perhaps through the creation of a more formal BR+E program. Economic Development needs to focus on developing better and broader relationships with business and industry. Focus should be on local business development and expansion and less on business attraction. To this end the Town should look for ways to provide more functional support to local businesses and industry.
3. The Town should look for ways to better engage the brain trust that resides in the Town. It was suggested that The Town has a significant number of small companies that need the knowledge, advice or mentoring that some of the Town's larger firms or former/retired employees could provide. The Town should work with ISCM to create a matchmaking program between retired professionals and emerging knowledge based firms.
4. The Town has contributed significant financial resources since ISCM was launched in 2003. In order to ensure its continued success consideration should be given to providing a funding commitment for a longer period (e.g. 3 years) to enable the ISCM to provide a better range of business seminars and more outreach to local entrepreneurs in the form of events and networking opportunities as well as the more comprehensive marketing effort.
5. The Town should increase its level of involvement with its economic development partners, particularly those that are focused on external investment and attraction e.g. TRRA, GTMA and the Province. Other organizations that the Town should consider actively working with include CATA, and ITAC Ontario.

6. Historically, the Town has played a key role in the development of YORK biotech. At this time, the Town needs to articulate its strategy for promoting and developing the life science sector in the future and the role Markham intends to plan. This needs to be clarified with its partners in this sector as part of developing a stronger relationship with these organizations. As part of a larger GTA based Life Science sector, the Town must also continue to work with its external partners to promote and develop this sector.
7. The Town should focus its business attraction and support efforts in 4 key sectors, with particular emphasis on pursuing attraction and investments by value-added functions such as R&D:
 - o The convergence of ICT and Life Sciences as evidenced by Markham's strength in advanced manufacturing – in particular electrical equipment and component manufacturing, magnetic and optical media manufacturing, medical equipment manufacturing, navigational, measuring, medical and control instrument manufacturing and industrial machinery manufacturing;
 - o Information, Entertainment and Cultural Industries – in particular software publishers, data processing services, telecommunication firms and advertising firms, and the advantages inherent in the diversity of Markham's population;
 - o Professional, Scientific and Technical Services – in particular computer systems design and related services, architectural, engineering and related services and other business services;
 - o Finance and Insurance – in particular head office and back office operations.
8. In recommending these target sectors to the municipality, one needs to consider the opportunities for employment and assessment growth through the attraction of new industry to the community, but it is equally important to consider the opportunities of growth that result from the expansion of existing local industry. For this reason we would recommend that the Town develop an approach to its target sectors that incorporates both perspectives.
9. In identifying the target markets for these investment attraction efforts it is apparent that both the GTMA and the Province are targeting the same jurisdictions. In our opinion more comprehensive discussions with the GTMA and Province needs to occur in order to understand the future programming and business plans being developed for marketing and outbound trade missions. Based on discussions with representatives of these organizations and out research, it would be appropriate to have Markham focus

a portion of its marketing and investment attraction activity on jurisdictions within the U.S., India and Asia (particularly Japan and Hong Kong).

10. The location quotient, business pattern and labour location quotient data also point to the town having a significant competitive advantage in wholesale trade. However, the consulting team does not recommend this as a chosen sector for the following reasons:
 - o It is not an efficient use of land both in terms of taxes generated or employment created per acre;
 - o The cost of land is becoming increasingly prohibitive and lower cost jurisdictions are located immediately north and west;
 - o It offers largely low skill and low paying jobs, which do not match Markham's housing supply;
 - o Businesses who rely on a workforce coming from "low rent" areas outside of Markham are already frustrated with congestion and a lack of well inter-connected and rapid transit system does not make Markham attractive;
 - o Traffic congestion concerns will only be exacerbated with increasing numbers of wholesale trade businesses; and
 - o It does not fit with the Town's innovation strategy.
11. It is important for the Town to retain the employment lands it currently has for office building and industrial development. The availability of a very large (100-300 acre) parcel of 'campus style' property is a significant variable holding Markham back from attracting additional significant world-class investment in information technology, life science, finance, insurance or advanced manufacturing. The Town should consider taking strategic measures (including ownership of employment lands) to ensure property remains available for this type of employment land use.
12. Further to the point above, the Town should look to the development of a Markham Research and Incubation Park. This would assist the Town in differentiating itself from Mississauga, Toronto and Waterloo.
13. Utilize the data made available through the Economic Sectors Analysis to update promotional materials, community profile, investment profiles and other Markham documentation.

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14. The involvement of Town Council, and particularly the Mayor, has always been seen as a very positive factor in the Town's economic success. The Town should continue to engage the Mayor, Council and staff in the same manner.
15. While a higher cost of living and costs to business is evident, Markham is well-regarded for the quality of its built environment. This distinguishes the community and has helped it to become a community that can attract the best minds and the best companies.
16. Retain an economic development service that is operated through the Town and that works effectively in collaboration with economic development related private sector and public sector partners.
17. In order to demonstrate the success or effectiveness of the Town's economic development program, consideration needs to be given to a range of metrics that illustrate its progress. These should be developed in conjunction with the business community and program