



# INFORMATION REPORT

<b>TO:</b>	Mayor and Members General Issues Committee
<b>COMMITTEE DATE:</b>	February 5, 2020
<b>SUBJECT/REPORT NO:</b>	Finance, Insurance and Real Estate (FIRE) Sector Feasibility Study: Recommendations and Implementation (PED20047) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
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<b>SIGNATURE:</b>	

## COUNCIL DIRECTION

Not Applicable

## INFORMATION

The purpose of this report is to provide Council with the results of the Finance, Insurance and Real Estate (FIRE) Sector Feasibility study and to share recommendations and implementation to date.

This report summarizes the recommended actions for the FIRE Sector in the 2016 – 2020 Economic Development Action Plan. One of the three actions - Create and implement a FIRE Sector strategy – will provide direction for all staff led FIRE Sector activities in the City. More importantly, the study will position the sector for the upcoming update to the Economic Development Action Plan 2021 - 2025.

Over the course of 2018 - 2019, several new initiatives have been undertaken that illustrate the strength of this sector as more FIRE companies have landed in the City of Hamilton bringing new jobs and opportunities. Many of these firms are fintech

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OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

companies who are financial technology firms that are focused on automating the delivery and use of financial services.

### **Economic Development Action Plan 2016 - 2020**

The three major actions for the FIRE sector in the Economic Development Action Plan 2016 - 2020 were as follows:

Action 1: Realign staffing assignments to increase coverage of the sector.

Steps Taken:

As a significant portion of the FIRE sector companies are located in the downtown commercial corridor, this portfolio was assigned to Commercial Districts and Small Business (CDSB) Section. The Senior Business Development Consultant's role (within the CDSB section) was redefined to manage all FIRE Sector leads and business recruitment and expansion activities for FIRE companies in the City of Hamilton in 2017. In addition, the City of Hamilton municipal incentive programs are administered within the CDSB section with one of the incentive programs, the Office Tenancy Assistance Program (OTAP) being an attractive program for new commercial tenants for FIRE industries.

Action 2 and 3: Create and implement a FIRE sector strategy; and, implement program to target large corporate back office operations.

Steps Taken:

Since the FIRE Sector was identified in Hamilton's Economic Development Action Plan 2016–2020 as a target sector for the first time, staff determined it would undertake a FIRE Sector Feasibility Study to understand Hamilton's strengths and develop a FIRE value proposition. With regards to reviewing back office operations (Action 3), staff would look to the results of the study to see if this subsector was projected to grow to determine what support and resources would be required.

In 2018, MDB Insight (a leading Canadian management consulting firm specializing in economic development) was awarded the contract to undertake a FIRE Sector Feasibility Study to provide a clear description of the current state of Hamilton's finance, insurance, and real estate sector; identify gaps and opportunities; and, provide

guidance on the required actions that will assist the City of Hamilton to encourage and support this growing and evolving sector. The study would also include opportunities to reduce the office vacancy in Hamilton.

### **City of Hamilton FIRE (Finance, Insurance, and Real Estate) Sector Feasibility Study (December 2018)**

The FIRE Sector Feasibility Report, attached as Appendix “A” to Report PED20047 provides Council a clear description of the current state of Hamilton’s finance, insurance, and real estate sector; identifies gaps and opportunities; and, provides guidance on the required actions that will assist the City of Hamilton to encourage and support this growing and evolving sector.

#### **FIRE Sector Report Highlights:**

- FIRE Sector accounted for 21,441 jobs, representing 8% of Hamilton’s total employment;
- Over half of these job were in the Real Estate and Rental and Leasing and; Support Industries to the FIRE Sector;
- Over a quarter (29%) of all firms (total of 12,366) in Hamilton are related to the FIRE Sector;
- Highly educated workforce with the majority of the population with degrees in business, finance and marketing; and,
- Over the last ten years, the FIRE Sector grew by 18% (3,206 jobs).

The FIRE Sector is comprised of the following subsectors:

- Banks;
- Insurance;
- Investment;
- Fintech/Blockchain Potential;
- Real Estate and rental and leasing; and,
- Support industries to the FIRE Sectors.

### **Hamilton’s FIRE Sector – Employment Outlook**

#### **FIRE Employment:**

The majority of jobs (55%) in the FIRE sector can be attributed to two groups – Support Industries to the FIRE Sector (28%) and Real Estate and Rental and Leasing (27%). The Support Industries is comprised of legal services, accounting, tax preparation, bookkeeping and payroll services, and business support services. Not surprisingly, half of the major employers in Hamilton’s FIRE Sector includes legal services firms such as Gowlings WLG, SimpsonWigle Law LLP, Ross & McBride LLP, Agro Zaffiro LLP, and

Morris, B. Law Group. The Real Estate and Rental and Leasing group is comprised of establishments that are primarily engaged in renting, leasing, and managing real estate in addition to selling, renting or buying real estate for others. The remaining 45% of FIRE jobs can be broken down into Banking (15%), Fintech/Blockchain Potential (11%), Insurance (11%) and Investment (8%).

#### FIRE Businesses:

The Real Estate and Rental and Leasing group also accounts for 65% of Hamilton FIRE Sector businesses. A large number of businesses in this cluster are self-employed. The remaining 35% of establishments can be broken down into Investment (14%), Support Industries to FIRE Sector (9%), Fintech/Blockchain Potential (6%), Banking (3%) and Insurance (3%). The results of the study did not indicate any growth in the back-office operations area.

#### Key Growth Areas

Overall, the FIRE Sector grew by 18% or 3,206 jobs over 2007 - 2017 ten-year period and is expected to grow 6.2% over the next seven years.

The three key areas for growth over the next several years include firms in the Fintech/Blockchain (12.7%), Investment (10.7%), and Banks (5.2%). In Ontario, over \$9.2 B is spent by Canada's financial services industry. Hamilton's location next to Toronto, North America's second largest financial services hub, allows the city to position itself as a close alternative with various options for office commercial expansions.

#### Fintech/Blockchain Potential:

The emergence of fintech and blockchain have altered the global financial landscape. Fintech, or financial technology are making the use and delivery of financial products the new way of the future. Blockchain is a digital database or ledger of transactions that have changed the way banking, stock, real estate transactions are executed. With the massive growth in fintech, trends are indicating there is increasing infiltration of fintech start-ups in the insurance sector.

#### Investment:

This subsector deals with securities, commodity contracts and other financial investments and related activities subsectors. This group is tied to establishments engaged with managing portfolios of securities and providing investment advice, trust, fiduciary, custody and other investment services.

#### Banks:

Banks continue to have an established presence in the city. The credit unions which includes FirstOntario Credit Union Limited and Teacher Credit Union Limited, are two of the largest employers in the FIRE sector in the city. It should be noted that many start-ups and entrepreneurs in the fintech and blockchain space are linked to established banks and credit unions.

### **Staffing Patterns and Projections**

Staffing patterns show the percentage of total industry jobs in a specific occupation.

The Top 10 occupations in 2017 in the FIRE sectors include:

- Other financial officers;
- Customer services representatives - financial institutions;
- Financial auditors and accountants;
- Lawyers and Quebec notaries;
- Insurance agents and brokers;
- Information systems analysts and consultants;
- Other customer and information services representatives;
- Accounting technicians and bookkeepers;
- Computer programmers and interactive media developers; and,
- Legal administrative assistants.

High growth occupations include:

- Computer programmers;
- Interactive media developers;
- Financial auditors; and,
- Information systems analysts and consultants.

### **Gaps**

One of the findings from the study is that Hamilton is a net exporter of FIRE Sector occupations. In other words, there are not enough jobs in the City of Hamilton in this sector resulting in many residents travelling outside the community to work in these fields.

Additional gaps include:

- Perceptions of the city;
- Lack of an identify as a Knowledge-based and creative economy;

- Labour outflow (noted above); and,
- Partnerships not leveraged.

## **2019 Activities and Announcements**

Largest Downtown Expansion (100+ new jobs):

Q4, a leading global provider of cloud-based investor relations currently employs 250 workers in Toronto, New York, London (United Kingdom) and Copenhagen. This global fintech is headquartered in Toronto and expanding to Hamilton for their second Canadian headquarters. They will be moving into a new office space along King Street East in March 2020 in Downtown Hamilton. Staff met with Q4 in mid-2019 to introduce them to FIRE opportunities (including real estate options and sector trends). They chose Hamilton specifically for its tech talent with the goal to be the leading tech employer in the Hamilton region. They are currently working with post secondary partners for their recruitment efforts as they are expecting to hire 60-80 new employees in the coming months with the intent of growing to over 100 employees.

Another fintech – Ackroo - recently located in Stoney Creek in October 2019 and currently has over 20 employees with the goal to ramp up to over 40 employees in the coming year.

Tech Talent Explosion:

2019 was the year Hamilton's gains in technology received national and international attention. CBRE, a global real estate advisory firm ranked Hamilton as one of the Fastest growing mid-size cities in Canada for Tech Talent ahead of Waterloo Region, Edmonton and Halifax. They also found that Hamilton's tech occupation grew by 52.9% over the past five years with recent figures indicating there are 18,200 tech workers in the City of Hamilton. Many in this grouping would include professions with Fintech/Blockchain Potential and would include computer systems design, software engineers and publishers.

New Advisory Group – Hamilton Blockchain and AI Advisory Group:

The Hamilton Blockchain and AI Advisory Group was formed following the City's first Blockchain Summit in late 2018. The group met in early 2019 and brought together representatives from industry, post-secondary institutions, Chamber of Commerce and City representative (FIRE lead). The group held its first workshop in spring 2019 to focus on the new economy and real-life industry examples being used in the local economy.

**Real Estate Summits (350+ Real Estate Investors and Developers):**

Over the course of 2018 and 2019, two real estate events were held in partnership with BISNOW (North American Real Estate Marketing Organization) and ULI (Urban Land Institute). Both events highlighted major office and real estate projects in the downtown core including:

- King James (12 James Street North) – Over 40,000 square feet of Brick/Beam office space;
- City Centre Redevelopment - Recent purchase;
- Westinghouse HQ - 40,000 square feet of new office space; and,
- 100 King Street West and 25 Main Street West – Office space tours.

**Collision Conference (2019 - 2020):**

Economic Development Division participated in the Collision Conference in Toronto in June 2019. Collision is the fastest growing tech conference in North America with over 30,000 attendees. The FIRE industries featured prominently in the conference and was an opportunity to showcase its value in this area on a global stage. This year, a focus will include the City’s urban offering (downtown and commercial corridors) and will showcase leading Hamilton’s initiatives such as Mohawk College’s new cybersecurity program that supports the growth of talent within the FIRE industries.

**Implementation of Recommendations (2019 and Beyond)**

The table below reflects the FIRE Sector Recommendations that were achieved and other areas with ongoing actions (some noted in the previous section):

Recommendations	
<p><b>1. Create a Business Ambassador program for the FIRE sector.</b>                      The Business Ambassador Program will encourage local business leaders to share “leads” by providing one point of contact (dedicated e-mail) in order that Economic Development may follow up. The creation of a toolkit that would include promotional videos, showcasing Hamilton’s FIRE sector and quality of talent available as well as contain other business attraction materials.</p>	
Actions	Status
<ul style="list-style-type: none"> <li>• The feasibility study and allocating staff to manage this sector has made gains with our stakeholders and business community to understand there is a FIRE lead in Economic Development.</li> <li>• The recent rebrand of the Invest in Hamilton website and new materials/brand included new promotional videos showcasing Hamilton’s FIRE sector and new business attraction materials are being developed.</li> </ul>	<p>✓ <b>In Progress</b>                      The depth of our relationships with our industry and post-secondary partners (through Hamilton Investment Partnership) allow for the FIRE lead/staff to act as the new first point of contact. Staff is also exploring how to further leverage our cluster of FIRE industries in a formal manner (e.g. roundtable or through the new advisory group).</p>

<p><b>2. Curriculum Package focused on Cybersecurity, Fintech and Big Data</b> Connect with Mohawk College and McMaster University and develop a model cybersecurity, fintech and big data analytics curriculum package. Pitching the benefits of these future programs to future employment, career advancement and workforce retention in FIRE-based industries.</p>	
Actions	Status
<ul style="list-style-type: none"> <li>• During the feasibility study and following the results of the study, it was clear these three areas - cybersecurity, fintech and big data - were major opportunities for economic development to work with our partners.</li> <li>• Finding ways to develop materials such as a curriculum package is joint effort that should be coordinated with both groups.</li> </ul>	<p><b>To Commence</b> Staff will be working with partners to explore the viability of this type of package. In addition, this could form part of the new Economic Development Action Plan where joint efforts with educational partners could assist workforce retention and potential recruitment efforts.</p>
<p><b>3. Seek to establish and maintain formal networks with other municipalities</b> Seek to undertake similar initiatives, in order to learn from their activities, share best practices, and coordinate efforts to tap into external financial resources for these initiatives.</p>	
Actions	Status
<ul style="list-style-type: none"> <li>• Hamilton has joined the Toronto Financial International (TFI). TFI is a public-private partnership between Canada's largest financial services institutions and Canada's three levels of government. TFI promotes the GTHA on an international stage and works with many municipal partners.</li> </ul>	<p>✓ <b>YES</b> The City of Hamilton's participation on TFI will serve to connect with our municipal counterparts and share best practices. It will also serve as a connecting point with our Foreign Direct Investment (FDI) efforts for attracting global companies.</p>
<p><b>4. Investigate the development of a formal incubator for FIRE industries</b> In conjunction with Mohawk College, investigate the development of a formal incubator for finance and insurance technology start-ups and testing in Hamilton. The incubator can also support in developing linkages between FIRE and other IT related incubation hubs.</p>	
Actions	Status
<ul style="list-style-type: none"> <li>• During and following the completion of the study, there was constant discussion from stakeholders on the want of space/venue that could be a centrepiece for collaboration for our existing companies and showcase new technologies.</li> <li>• The potential to feature the FIRE industries was a logical rationale given the growth potential in this sector.</li> </ul>	<p><b>In Progress – Collaboration Zone</b> To date, staff have led three workshops with various local partners (incl. Mohawk College) exploring the development of a Collaboration Zone. Staff is currently drafting a business case that will be shared with all industry partners and private sector that have cited the need for incubation/demonstration space.</p>



<p><b>5. Investigate the use of Finance and Insurance technologies across municipal platforms</b></p> <p>Investigate the use of finance and insurance technologies across municipal platforms. Work with local FIRE sector industries to support in the introduction of these technologies and allow the City to illustrate itself as a testing environment for future fintech or insurance applications.</p>	
<p>Actions</p>	<p>Status</p>
<ul style="list-style-type: none"> <li>Recent trends indicate, many FIRE industries are looking for civic led initiatives and/or opportunities. Vendors have approached staff with tech solutions in various operational areas.</li> </ul>	<p><b><i>In Progress</i></b></p> <p>Staff will review if there are opportunities for FIRE technologies across municipal platforms.</p>
<p><b>6. Host FIRE Forums on topics related to FIRE industries</b></p> <p>Host an ongoing FIRE related Forum. Future forum topics can include fintech, cybersecurity, and big data analytics.</p>	
<p>Actions</p>	<p>Status</p>
<ul style="list-style-type: none"> <li>Following the first Blockchain Summit in 2018 and the conclusion of the study, a new <i>Hamilton Blockchain and AI Advisory Group</i> was formed.</li> <li>The group brought together representatives from industry, post-secondary institutions, City representatives and the Chamber of Commerce.</li> </ul>	<p>✓ <b>YES</b></p> <p>The group held a spring workshop in 2019 to explore the new economy and real-life industry examples being used in the local community.</p> <p>As a founding member of the group, Staff will work on 2020 efforts and other related FIRE Forum events (including a potential new city building series)</p>

**APPENDICES AND SCHEDULES ATTACHED**

Appendix “A” to Report PED20047 – City of Hamilton FIRE Sector Feasibility Study

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