

TOWN OF FORT FRANCES

Economic Development Executive Committee

AGENDA - April 7, 2021, 12:00 PM

MEETING - Civic Centre

Session #3

Microsoft Teams meeting

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1. **Call to Order/Roll Call**
2. **Disclosure of pecuniary interest and the general nature thereof**
3. **Approval of Previous Committee Minutes**
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4. **Items Referred from Council - None**
5. **New Business**
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 - 6.3 Standing items for future review:
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 - Capital Priorities per Tourism Plan
 - Winnipeg to Thunder Bay tourism route initiative
 - Cross Border Fishing Activity
7. **Information**

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9. <u>Adjourn / Next Meeting Date - 05 May 2021</u>	

TOWN OF FORT FRANCES

MINUTES

SESSION NO. #2

March 3, 2021

The meeting of Administration & Finance Executive Committee of the Town of Fort Frances was held virtually on March 3, 2021 from 1203 hrs to 1321 hrs

PRESENT: Chairperson D. Judson, Councillors M. Behan and J. McTaggart, Mayor J. Caul (ex-officio), D. Cridland, J. Pryde, T. Ryll

ALSO PRESENT: C. Vangel, CBO / Municipal Planner, T. Drysdale, Economic Development Consultant, G. Gillon, RRFDC, J. Forbes, Human Resources Manager, K. Haney, Deputy Clerk, L. Slomke, Municipal Clerk

REGRETS: D. Brown, CAO

1. Call to Order @ 1203 hrs / Roll Call

2. Disclosure of pecuniary interest and the general nature thereof - none

3. Approval of Previous Committee Minutes

3.1 Session no. 1 - 03 February 2021 - Approved

4. New Business

4.1 Code of Conduct - Lisa Slomke - review of document with Committee

4.2 Committee Orientation - RRFDC District Projects / Town Projects and Budget - General update provided by Tannis Drysdale

5. Outstanding Items-none

6. Information

6.1 TOFF 2 year work plan - Received via email 01 March 2021 - Accepted as reviewed.

6.2 Shevlin Woodyard and Gateway to Fort Frances Study – Final Report - Accepted as reviewed.

7. Adjourn @ 1322 hrs / Next Meeting Date - 07 April 2021

Executive Committee Chair

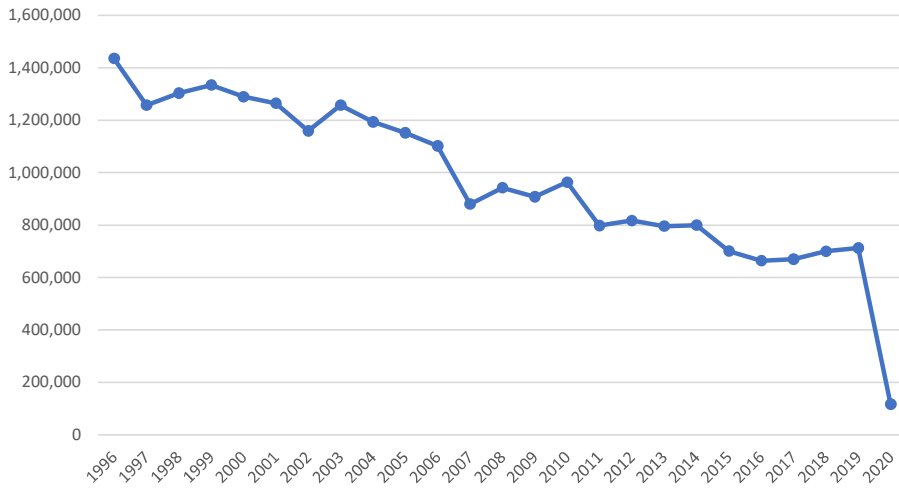
D. Brown, CAO

International Falls Border Crossing Data

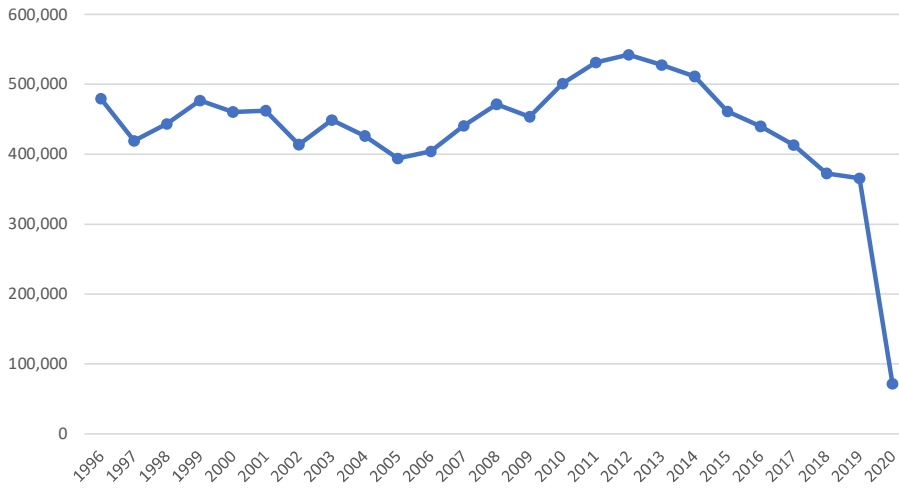
Measure	Port Name	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Bus Passengers	International Falls	11,147	10,545	9,000	10,555	11,331	9,308	8,436	8,469	7,095	7,884	7,813	6,870	6,982	5,571	5,971	7,320	6,639	5,979	6,619	6,330	4,914	5,897	6,286	6,249	1,179
Buses	International Falls	457	392	350	383	373	312	277	295	253	285	297	257	256	219	234	281	265	232	257	255	192	235	248	245	49
Pedestrians	International Falls	33,990	35,701	43,833	24,733	26,456	27,287	24,175	27,623	28,180	24,497	20,440	14,238	15,113	15,247	21,697	18,582	16,202	14,486	15,680	13,662	12,127	11,106	10,685	9,837	1,900
Personal Vehicle Passengers	International Falls	1,435,758	1,257,087	1,303,077	1,334,848	1,289,832	1,264,728	1,159,355	1,257,298	1,193,326	1,152,427	1,102,273	880,130	942,471	907,392	963,433	797,571	816,763	796,044	799,441	700,638	663,952	670,049	699,787	712,478	116,806
Personal Vehicles	International Falls	479,407	419,029	443,359	476,731	460,654	462,478	414,056	449,035	426,188	394,178	404,019	440,717	471,701	453,695	501,187	531,532	542,265	527,535	511,600	461,223	440,195	413,376	372,614	365,697	71,714
Rail Containers Empty	International Falls	0	8,283	27,552	27,082	28,810	37,416	37,820	46,933	46,484	47,012	65,794	64,387	74,841	70,969	80,552	91,799	117,189	140,282	141,598	153,398	153,953	186,364	191,435	181,346	165,812
Rail Containers Loaded	International Falls	0	44,891	143,649	154,375	142,741	168,014	200,695	205,766	212,681	204,106	216,990	226,465	260,601	224,202	267,534	302,829	382,975	420,956	472,546	550,001	546,431	597,306	649,492	670,836	639,166
Train Passengers	International Falls	9,927	9,360	6,354	6,698	6,912	7,306	7,324	7,856	7,440	7,960	8,518	8,310	8,272	6,572	7,092	7,344	7,848	7,804	6,666	7,464	7,408	7,272	7,984	8,472	6,816
Trains	International Falls	3,309	3,120	2,760	3,349	3,456	3,650	3,662	3,928	3,720	3,980	4,259	4,026	4,136	3,286	3,546	3,672	3,924	3,902	3,333	3,732	3,704	3,994	4,287	4,267	3,842
Truck Containers Empty	International Falls	0	3,195	11,408	10,816	9,125	6,723	7,039	2,830	3,926	4,358	3,545	4,347	8,926	6,075	7,543	7,302	6,882	3,494	2,024	1,512	1,845	6,441	5,331	5,550	6,144
Truck Containers Loaded	International Falls	0	7,267	30,138	29,118	33,721	28,637	33,473	30,598	29,357	27,231	20,721	18,343	16,284	15,760	16,721	15,561	15,151	14,484	14,831	13,783	15,590	15,761	12,222	10,910	9,300
Trucks	International Falls	46,426	47,196	32,841	36,391	41,206	36,113	39,609	33,519	31,719	29,685	23,783	22,623	25,322	21,735	23,509	21,680	20,221	17,607	16,528	15,111	17,317	19,038	17,529	16,416	15,632

<https://explore.dot.gov/views/BorderCrossingData/Annual?isGuestRedirectFromVizportal=y&embed=y>

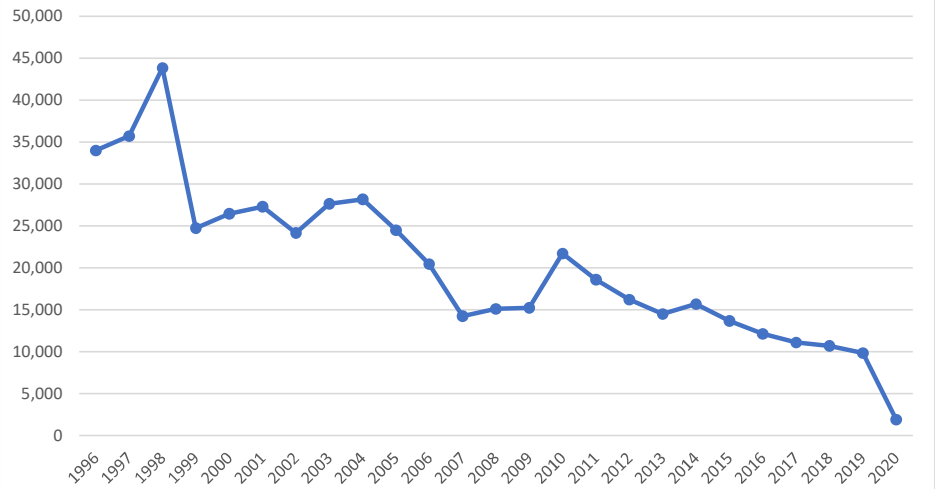
Personal Vehicle Passengers



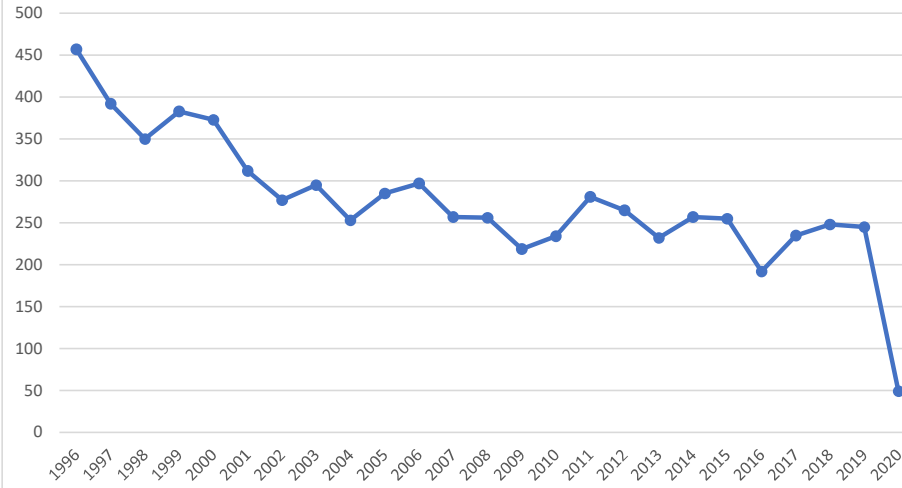
Personal Vehicles



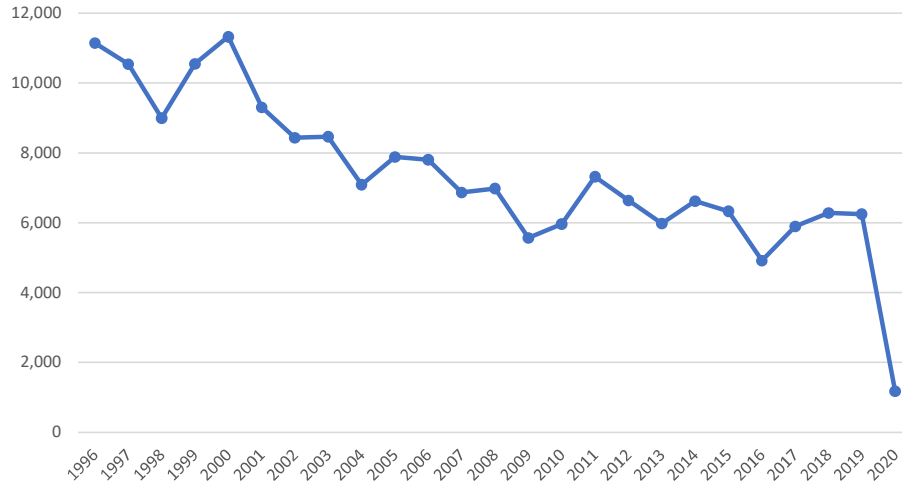
Pedestrians



Buses



Bus Passengers



Date: April 7, 2021

Report To: Economic Development Executive Committee

From: Cody Vangel, Chief Building Official & Municipal Planner

Re: Ranier Bridge Feasibility Study – CN Railway

In late February 2021 Town administration was contacted by Gannett Fleming Inc, a U.S. based civil engineering firm, seeking hydraulic flow information as it pertains to the floodplain around Fort Frances, Rainy Lake and the Rainy River. Through this correspondence it was determined that CN Railway has engaged Gannett Fleming Inc. to conduct a feasibility study on the Ranier Railway Bridge to identify options to replace or retrofit the existing bridge.

Town administration provided Gannett Fleming Inc. with several contacts to reach to gather some of the data they were seeking.

Given the extreme importance of the existing channel at the Ranier Bridge and the natural and existing flood protection that it provides to the Town, it was formally requested that Gannett Fleming Inc. keep the Town of Fort Frances informed of future progress including design works (if any) with regards to this project as it has a direct impact on the Town.

H2O Power was also included into the correspondence chain as this project would directly impact them as well. H2O subsequently issued a formal request to Gannett Fleming Inc. requesting to be informed on progress of the project as well.

It is imperative that this item remain on the Town's radar and that it not be taken lightly as alterations to the channel at the Ranier Bridge can have significant to catastrophic repercussions.

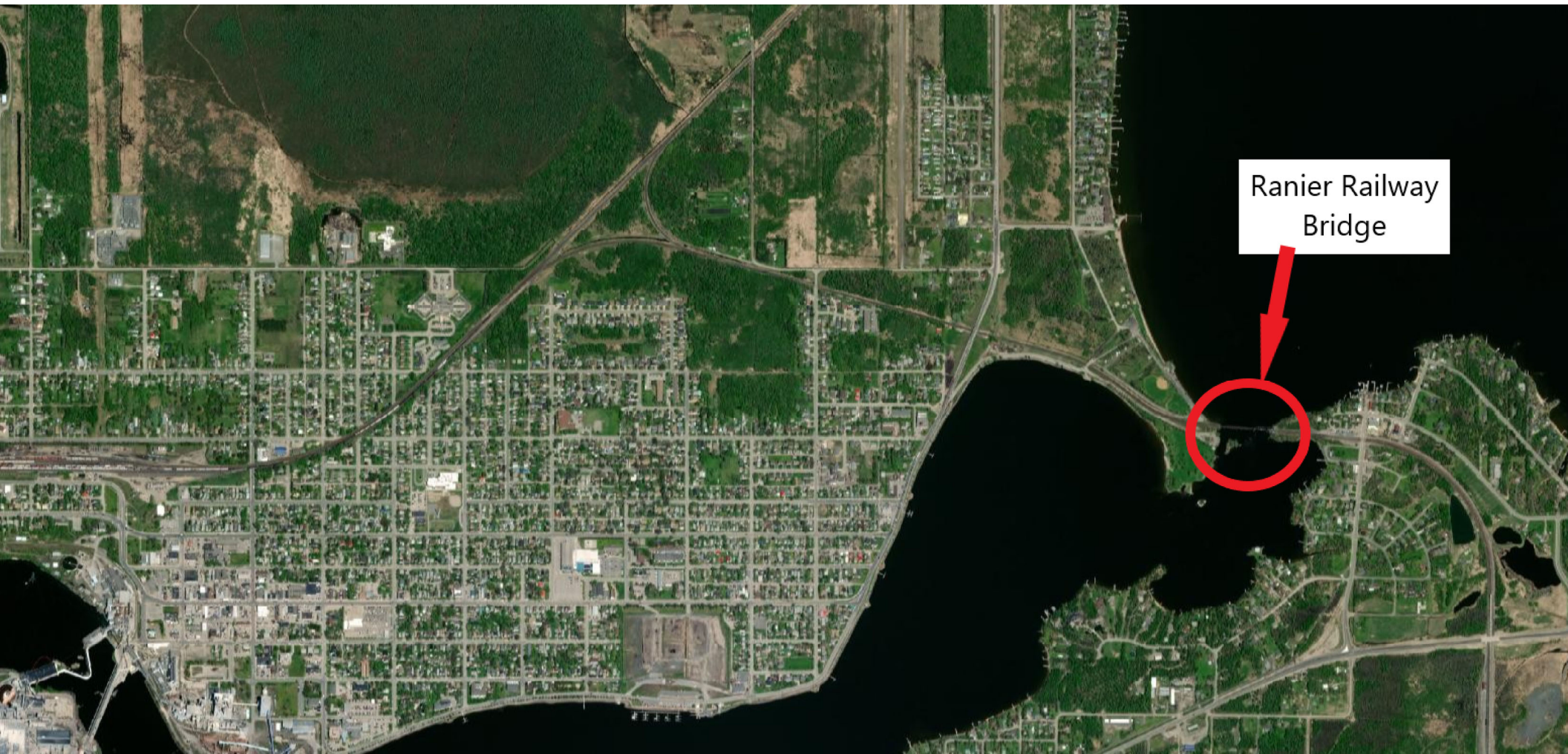
This item was brought forward to the Planning and Development Executive Committee where it was asked to bring forth to the Economic Development Executive Committee to recognize a potential tourism attraction by creating a foot-traffic border crossing to Ranier. As this bridge is the property of CN Railway, discussions would need to be conducted with CN to determine if they would entertain such idea.

Approval of this report is not required as it is for information only.

Respectfully submitted.



Cody Vangel
Chief Building Official & Municipal Planner



Ranier Railway Bridge



ONTARIO REAL ESTATE ASSOCIATION

SMALL TOWNS, BIG OPPORTUNITIES

Unlocking Growth in Ontario's Rural and
Northern Communities

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A photograph of a child walking away from the camera on a gravel path that leads towards a red house with a white porch. The house is situated on a grassy hill. To the left of the path, there are tall green grasses and a wooden fence. A large tree is on the far left, and another tree is on the right. The sky is overcast with grey clouds. A blue banner with white text is overlaid on the left side of the image.

EXECUTIVE SUMMARY





The economic and demographic realities faced by communities outside of the Greater Toronto and Hamilton Area (GTHA) are rarely the focus of mainstream media attention or political actors.

Over the past few years, many non-GTHA towns and cities have been grappling with the challenges caused by losing talented youth to larger centres and a move away from more traditional goods-producing economies. These rural and northern locales range from truly rural agrarian settings, to more urban areas such as Thunder Bay, Barrie, and Peterborough. Their issues range widely depending on the location; hence, a multitude of policy solutions are needed to help these communities grow and thrive over the coming decades.

In the midst of these socioeconomic challenges, the COVID-19 pandemic hit, bringing with it a new set of obstacles. However, the pandemic has also created renewed opportunities for many of these communities. Goods-producing industries, such as manufacturing and farming have newfound importance while, for the first time in recent memory, the attractiveness of the big city has been replaced by the lure of small-town life. Thousands of Ontarians no longer need to live near their workplace, while thousands more have used the pandemic as a platform to accelerate plans to move to smaller, more relaxed locales – perhaps returning to the towns where they were raised. If the provincial government pulls the right policy levers, it can capitalize on this momentum to help rural and northern small towns turn this short-term rebound into long-term growth, thereby raising the quality of life, average incomes, and future prospects of the millions of Ontarians who reside outside of the GTHA.

In this paper, we dissect the economic trends occurring in rural and Northern Ontario before the COVID-19 pandemic, and then analyze how the pandemic appears to be changing these dynamics throughout the various types of communities across the province. Next, we put forward 15 recommendations that aim to create and attract jobs, reverse the out-migration of young talent, close the infrastructure gap, and foster more housing starts.



RECOMMENDATION #1

The Ontario Government should embrace the policy of opportunity zones by working with the Federal government towards immediate implementation. The Ontario version should contain stricter criteria for qualification as an opportunity zone and consider a longer timeline to incentivize the right type of investment.

RECOMMENDATION #2

If the Ontario Government does not pursue Opportunity Zones with the Federal Government, it should consider a similar provincial-only model combining tax holidays and tax deferrals to qualifying investors in rural and Northern areas to help attract and retain businesses.

RECOMMENDATION #3

The Ontario Government should create a tiered graduation from the Small Business Tax rate to the full Corporate Income Tax rate to encourage and incentivize Ontario's small businesses to grow in the wake of COVID-19.

RECOMMENDATION #4

The Government of Ontario should create an office relocation strategy to review eligible bureaucracies and agencies that can be moved outside of the urban core to rural and Northern Ontario.

RECOMMENDATION #5

The Government of Ontario should review the funding formula for municipal funding programs, such as the Ontario Municipal Partnership Fund, to ensure that rural and northern municipalities are not unfairly short-changed when it comes to infrastructure funding.

RECOMMENDATION #6

The Ontario Government should continue with its ambitious natural gas expansion policies by increasing the number of expansion projects funded in order to lower the cost of business and the cost of living in rural and Northern Ontario.

RECOMMENDATION #7

The Ontario Government should eliminate barriers to broadband installation in rural areas, including reviewing provincial easement rules and utility pole access, while also encouraging the Federal Government to pursue regulatory reforms that accelerate broadband funding.

RECOMMENDATION #8

The Ontario Government should undertake reforms to accelerate the conversion of commercial properties into mixed-use residential sites. These reforms should be respectful of municipal authority but feature expedited timelines for decisions from local councils.

RECOMMENDATION #9

The Ontario government should embrace and enable microcredential program offerings at Ontario's post-secondary institutions, specifically those that have satellite campuses in rural and Northern Ontario.

RECOMMENDATION #10

All three levels of government should work together to encourage new Canadians to settle in Ontario's rural and Northern municipalities. This work could include an expansion of the current five year Rural and Northern Immigration Pilot to cover more municipalities, the creation of local immigrant support services, and the creation of a dedicated Ontario Immigrant Nominee Program (OINP) stream for immigrants wishing to settle in rural and Northern locales.

RECOMMENDATION #11

The Ontario government should design a made-in-Ontario program to financially incentivize recent graduates to move to rural and Northern Ontario in order to reverse the rural brain-drain.

RECOMMENDATION #12

The Ontario Government should take steps to promote jurisdictional clarity over development approvals and quicken the overall timeline for new builds. This work should aim to streamline the process and set uniform processes for things such as the definitions of woodlands or the requirements for a draft plan of subdivision.

RECOMMENDATION #13

The Ontario Government should explore ways to accelerate approvals for activities related to the construction, operation, and maintenance of community-based living facilities for the elderly and those who require regular professional care.

RECOMMENDATION #14

The Ontario government should eliminate the existing Rural Growth Plan Targets in light of their true impact on housing supply and affordability, as well as evolving demographic and economic trends in rural Ontario.

RECOMMENDATION #15

The Ontario government should develop a rent-to-own program for affordable units in the non-GTHA to promote greater accessibility to housing, encourage worker retention, and provide an affordable alternative for would-be home buyers.





INTRODUCTION





Housing policy decisions in Ontario are undoubtedly driven by events in the Greater Toronto and Hamilton Area (GTHA) real estate market.

Journalists, academics, and policymakers alike often focus on this single market due to its increasing prices and accelerating demand. Though a large portion of Ontario's population is concentrated in the GTHA, there are significant housing markets outside of this area – in suburban, rural, or Northern Ontario – with their own complexities and factors affecting their growth. Policy decisions that may work for Toronto or Hamilton may not work for Ontario's 442 other municipalities.

It is not surprising that the GTHA is faced with different pressures than the rest of Ontario. However, the pressures facing non-GTHA areas rarely receive attention from politicians and media alike, given that the price or demand increases in these parts of the province never seem as significant as they do in urban Ontario. With the onset of the COVID-19 pandemic, the situation in Ontario has changed. First, immigration has declined to a standstill with Canada's borders closed indefinitely, thereby driving down urban growth figures. Second, and perhaps more importantly, many GTHA residents and families are moving to other parts of the province, notably suburban and rural Ontario.

In this paper we take a two-part approach to examine the emerging trends in non-urban Ontario both before and because of COVID-19. First, we explore the on-the-ground realities of life in non-urban Ontario, including the recent socioeconomic difficulties experienced by many rural communities. Second, we analyze how these trends have been affected by COVID-19 – both positively and negatively – by such factors as the ability to work from home, to determine the outstanding issues that need to be addressed by government policymakers to ensure a bright future for rural and Northern Ontario. We then build upon this crucial demographic and employment information to draw conclusions about needed changes to the housing market and other important policy areas in rural and Northern Ontario. Ultimately, we offer 15 recommendations that address housing, education, employment, and access to rural infrastructure. If enacted, these recommendations will help towns in rural and Northern Ontario showcase the qualities that make them great places to live and work while capitalizing on a rare opportunity to secure sustained and reliable economic growth for decades to come.



PART 1:

Were Ontario's Small Towns Dying? The Socioeconomic Realities of Life in Rural and Northern Ontario





Many of the academic articles and statements written since the onset of COVID-19 have reached a similar conclusion, i.e. that the virus has inadvertently accelerated existing trends in Canada's and Ontario's economies. Chief among these trends include using e-commerce to purchase goods instead of visiting traditional brick and mortar retail operations, or working from home instead of in physical offices. Though this logic may hold true for many facets of our economy, does it hold true for the future growth prospects of rural and Northern Ontario? Or are we seeing, in the immediate term, a reversal of fortunes for rural and Northern Ontario? To answer these questions, we must examine the demographic and economic trends occurring in rural and Northern Ontario prior to the COVID-19 pandemic. In essence, we need to determine, were our towns slowly dying or not?

THE DEMOGRAPHICS

The first part of this analysis is demographic in nature, comparing population trends and growth patterns in non-urban areas versus urban areas of the province. In 1961, rural Ontario comprised approximately 23 per cent of the province's population. By 2016, that number had dropped to less than 14 per cent.ⁱ During that 55-year period, rural Ontario grew by a net total of 400,000 residents while urban Ontario grew by 6.6 million residents.ⁱⁱ Ontario's growth can largely be attributed to inter-provincial migration and international immigration to the province.ⁱⁱⁱ However, in both of those cases, new residents typically choose to settle in large urban settings.

More recently, the parts of Ontario that are not directly influenced by nearby cities lost population between 2001 and 2011.^{iv} In fact, during this time, the urban population grew by more than 15 per cent while the rural and small-town population in Ontario declined by more than 7 per cent – a 22 per cent gap between the two areas.^v Rural and northern communities such as Brantford, Sarnia, Chatham-Kent, Sault Ste. Marie, North Bay, Leamington, Timmins, Brockville, Midland, Owen Sound, Pembroke, Kenora, and Elliot Lake all reported negative population growth between the 2011 and 2016 censuses.^{vi} In Northern Ontario specifically, projections show a shortage of 150,000 residents by 2041 at current growth rates.^{vii} In both absolute and relative measurements, non-urban Ontario was not growing prior to COVID-19.^{viii}

When examined further, it becomes clear that the pressing issue in rural Ontario is a steep reduction in young and working-age residents. A recent Ontario 360 paper stated succinctly: "It is only after people reach the age of 50 that greater proportions of them are seen in rural Ontario societies than in urban centres, a trend that continues up until the age of 90 and higher."^{ix} Ultimately, rural Ontario is consistently losing its youth to urban centres, mainly driven by the desire to attend post-secondary institutions that are not located in their areas. This trend is particularly troubling given that those students attending post-secondary institutions elsewhere are often the most talented and best educated, leading to a true brain-drain effect.^x Therefore, it should come as no surprise that research has shown a direct correlation between the level of schooling achieved and the distance from the nearest population centre.^{xi} If youth do not have local access to proper post-secondary education they either leave to access those opportunities or choose not to attain higher education at all.

Statistics support this trend of net youth out-migration. If just the main working ages of 25- to 44-year-olds are isolated, eight of the province's census divisions lost more than 2 per cent of their population between 2011 and 2016. They are located throughout the province and, depending on the area, had considerably large population reductions, as noted in Table 1.^{xii}

TABLE 1. POPULATION REDUCTIONS IN ONTARIO CENSUS DIVISIONS, 2021–2016

CENSUS DIVISION	POPULATION REDUCTION
HURON	–8.5%
PRINCE EDWARD	–8.1%
SUDBURY	–7.3%
RAINY RIVER	–5.3%
ALGOMA	–4%
COCHRANE	–3.5%
TIMISKAMING	–3.3%
LAMBTON	–3.3%
CHATHAM-KENT	–2.8%
PARRY SOUND	–2%
MANITOULIN	–2%

When the young leave rural Ontario they take with them their future earning potential, the population growth that would have manifested in rural Ontario should they have started a family, and their ability to employ other rural Ontarians. If youth do return after graduation and early employment, they primarily do so out of a desire to be surrounded by family and the community they were raised to love.^{xiii} Without the strong community identity possessed in rural and Northern Ontario, their population losses would be even starker.

THE EMPLOYMENT PICTURE

Younger, working-age individuals are not just leaving rural and Northern Ontario because of post-secondary access; they are also leaving to find gainful employment. Between 2008 and 2019, 87 per cent of all jobs created in Ontario were in Toronto or Ottawa.^{xiv} Rural communities that are distant from a nearby municipality and do not belong to a census metropolitan area actually lost a net 76,000 jobs during this time.^{xv}

In essence, the rural economy is changing. Prior to COVID-19, traditionally rural and northern industries such as agriculture, mining, forestry, manufacturing, and other forms of resource extraction were declining, while service-producing employment was rising. In real terms, the number of Ontarians working in manufacturing has dropped by 1.6 per cent, the resource extraction sector has shrunk by 9.1 per cent, and agriculture has dropped by a staggering 22 per cent.^{xvi} Considering that almost 30 per cent of all non-metropolitan Ontario residents are employed in the goods-producing sector, compared with just 19 per cent in metropolitan Ontario, this trend is extremely troubling for rural communities.^{xvii}

The GTHA has adapted quite well to the shift to service level employment, with considerable new office space developments in recent years. As a result of this employment shift, combined with its strong attraction for new immigrants, Toronto was projected – prior to COVID-19 – to exceed its 2041 employment forecast 20 years early.^{xviii} Rural Ontario has seen virtually no employment changes in its service sectors, while metropolitan census divisions reported a 17 per cent increase in service jobs between 2006 and 2016.^{xix}

In Northeastern Ontario, manufacturing employment has dropped by 26 per cent in the last five years. The fastest growing segment of the pre-pandemic economy was the health care and social assistance sector, a trend that was also prevalent in Northwestern Ontario.^{xx} In fact, throughout Ontario, the largest employment sector for non-metropolitan census divisions was health care and social assistance. Unfortunately, when the number of people employed by the government in social assistance outpaces any other aspect of the economy it is a sign of troubling times ahead.



With the reduction in jobs in rural areas, it is no surprise that people have left to seek other opportunities. This out-migration pattern means that rural and Northern Ontario have experienced reductions in both jobs and people. Essentially, these areas were caught in the midst of a catch-22, i.e. they needed more jobs to attract people, but they needed more people to attract jobs. The loss of employment and people has led to such a drop in the number of eligible working-age individuals that the unemployment levels in rural and Northern Ontario have actually dropped. Those who are looking for work simply leave town, meaning there are few unemployed individuals in rural Ontario despite a struggling economy. To outside observers, unemployment rates as low as 2 per cent in Wellington and Bruce counties appear to be indicators of strong economies. Yet, in the largest nearby municipality of Owen Sound, one secondary school and three elementary schools were closed in 2017 because enrollment figures were 1,500 students below capacity.^{xxi}

Participation rates (i.e. the number of people working or actively seeking work as a percentage of the working population) are measured among residents between the ages of 15 to 64. Low participation rates are driven either by a large proportion of student populations who are not participating in the labour force, or a high number of retirees under the age of 65. Given the exodus of young working-age individuals, it is clear that rural Ontario is populated with a proportionally high number of retirees.^{xxii} In fact, as of the 2016 census, the counties of Haliburton, Manitoulin, Prince Edward, Algoma, and Parry Sound all had participation rates under 55 per cent, meaning that nearly half of the population was not employed or seeking employment.^{xxiii} By comparison, the provincial average participation rate at the end of 2016 was approximately 65 per cent.^{xxiv}

Unsurprisingly, a low participation rate is associated with an overall small labour force. Analysis shows the farther away from a metropolitan centre, the more aggressively the labour force shrinks. Between 2011 and 2019 the labour force in small population centres decreased by 8.4 per cent; however, in truly rural areas away from nearby towns the labour force decreased by more than 20 per cent.^{xxv} In some of Ontario's largest non-GTHA towns the labour force was also declining, with negative growth seen in Peterborough, Thunder Bay, and London between the 2008 recession and the COVID-19 pandemic.^{xxvi} Municipalities that experienced positive labour force growth during this time generally achieved it at the expense of their fringe areas and the benefit of their downtown core populations.^{xxvii}

The combination of rural brain drain and high retiree populations has left rural and Northern Ontario relying on employment in many lower skilled positions. A recent paper on the subject states succinctly that there are "... expectations in the labour market that a person with lower credentials can ostensibly find work in a rural economy."^{xxviii} To make matters worse, the cost of automation has dropped substantially for employers in recent years, meaning rural Ontario workforces that are built on repetitive low-skilled labour – such as retail, manufacturing,



and agricultural processing – are poised to need fewer and fewer workers. As McKinsey Global Institute recently reported, the jobs to be targeted by the next wave of automation will be “... lower-wage ones in fields such as construction, maintenance, transportation, agriculture, and food preparation. These are jobs that don’t require a high level of education and have often been performed by young, male workers.”^{xxxix} Coincidentally, many of these jobs are in rural and northern communities.

This stagnant or even negative growth in rural areas has led to a decline in the power of rural Ontario, from both the political and employment perspectives. With the latest redistribution of electoral seats in 2018, it is now “... very possible to win majority governments ... without a significant number of rural ridings.”^{xxx} With a declining political voice it can be difficult for governments to understand firsthand the economic plight and associated cultural impacts in rural communities. Without this proper understanding of the situation in rural and northern communities, governments may neglect investments in social services or needed infrastructure or fund the wrong priorities. With the provincial government controlling everything from doctor placement to school closures to highway repair funding, rural regions can find themselves underserved and misunderstood. A lack of proper understanding means the priorities of these communities are not addressed and, in turn, out-migration patterns are accelerated. This unintentional neglect can lead to political polarization and dissent between urban and rural populations.

Ultimately, given the declining labour force, participation rate, and employment in rural Ontario, coupled with the continued brain drain of younger talent, it is clear that a majority of Ontario’s small towns were struggling mightily before the pandemic, if not slowly contracting altogether. However, rural Ontario is not a monolith. Some small towns were bucking the trend and experiencing successes prior to the pandemic. It is important to examine these cases in order to understand the issues that may impact rural Ontario if the pandemic-related growth is to continue into the future.

THE SMALL TOWNS THAT GREW

Even though the rural areas of Ontario are experiencing challenges with respect to retention and growth, some of the metropolitan areas in non-GTHA Ontario have had better fortunes. The municipalities with the most success in attracting new residents appear to be those on the outer limits of the GTHA. Many Toronto residents were pushed to ‘drive until they qualified’ for mortgages on less expensive homes. That drew them to population centres such as Vaughan, Ajax, and Brampton. However, as those municipalities continue to grow, and with housing prices increasing rapidly as well, prospective home buyers have become willing to move farther and farther from the downtown Toronto core.

Census metropolitan areas within this ‘sweet spot’ of driving distance to the GTHA but distant enough to have lower house prices are growing. Communities such as Oshawa, Barrie, and Guelph have all seen growth in their core populations over the last 12 years, with Oshawa’s labour force growing by more than 21 per cent during that time.^{xxxi} In fact, some towns have embraced their role as a home for commuters, with the town of New Tecumseth seeing 44 per cent of its entire labour force commuting to the GTHA daily.^{xxxii}

In addition to greater affordability, non-GTHA Ontario offers a lower crime rate and higher levels of community and civic engagement; these are important for people who are considering starting a family and buying a home.^{xxxiii} In fact, according to *Maclean’s* magazine, more than 60 per cent of the top 50 livable communities in Canada are areas with a population of fewer than 40,000; in Ontario, the town of Grimsby, Brant County, and the Township of Russell all cracked the top 10.^{xxxiv} The realization that an

arguably better quality of life exists in non-GTHA Ontario has driven many to consider moving outside of the urban core, even before the onset of the COVID-19 pandemic.

In 2019, Ontario's intra-provincial migration trends revealed that regions such as Peel, Halton and York are losing out to counties such as Oxford or Simcoe. For example, in 2018/2019 Haliburton increased its population by 2.17 per cent.^{xxxv} Notably, these migration trends are not only associated with retirees; in Haliburton, 2 per cent of the 2.17 per cent increase comprised working-age individuals.^{xxxvi} According to researcher Mike Moffatt, the city of Woodstock, located between London and Kitchener, has enjoyed the benefit of rapid growth due to an exodus of young GTHA families.^{xxxvii}

Perhaps unique about the growing move to secondary tier cities across Ontario is the complete willingness of some people to abandon existing employment in the GTHA for the benefit of an affordable home. Many young families are choosing to build equity through home ownership, which means both living and working outside the GTHA. Christopher Alexander, Executive Vice President of RE/MAX Canada, noted that an emerging trend in recent years is for millennials to purposely "... find work in another city where they can afford to buy," instead of finding a home within commuting distance to their previous place of employment.^{xxxviii}

The rural and northern communities that have experienced the highest growth in recent years appear to be those closest to urban centres. However, with affordability concerns spreading to these communities, affordable locations farther away from urban centres have started to grow in popularity. Ultimately, a mix of affordability and proximity is desired, but if push comes to shove it appears that young homeowners will choose savings over distance. This promising trend for the revitalization of rural and Northern Ontario does, however, come with its own set of challenges that have been exacerbated during the pandemic.

THE DIFFERING HOUSING CHALLENGES IN RURAL VERSUS NORTHERN ONTARIO

In towns that have been growing over recent years, be it from their proximity to major urban centres or their more affordable home prices, a housing shortage has begun to appear. For example, the city of Woodstock and town of Cobourg are both within an extended drive of downtown Toronto and realized population growths of 8.3 per cent and 5 per cent, respectively, between the 2011 and 2016 censuses. However, due to that recent growth, Woodstock had only 379 private dwellings that were not fully occupied, and Cobourg had only 319 private dwellings available.^{xxxix} That translates to a vacancy rate of just over 2 per cent in Woodstock and 1 per cent in Cobourg.

The story is similar in Eastern Ontario just outside of Ottawa. The towns of Carleton Place and Petawawa both experienced growth rates over the same period of more than 7 per cent. Carleton Place had 605 private dwellings that were not regularly occupied and Petawawa had only 413 at the time of the survey.

^{xl} At the time of the 2016 census, Petawawa had a rental vacancy rate of just 1.4 per cent.^{xli} Considering the potential condition or size of these homes, it is safe to assume that these growing municipalities will have a difficult time supporting new residents without displacing existing ones.

In rural municipalities that are popular cottage destinations, recreational properties – including those purchased solely for short-term rentals – are growing in popularity. The increased demand is not only reducing available supply, but also driving up prices. For example, Prince Edward County, which is home to a growing wine and tourism industry, saw the average home price increase by 28 per cent in the two-year period from 2017 to 2019, primarily driven by the demand for short-term rental properties.^{xlii}

In areas well outside of a reasonable daily commuting distance to Toronto or Ottawa, such as Northern Ontario, the issues are quite different. Mainly, the population has struggled to grow, meaning that homes are available and affordable. The Northern Policy Institute calculates that 27.7 per cent of homes in Ontario are unaffordable but, in Northern Ontario, that number is only 20.5 per cent.^{xliii} Despite this figure, every northern census division ranks above the provincial average in the percentage of homes that need some

form of major repairs.^{xliiv} This problem is especially evident on Indigenous reserves where 44 per cent of all residents live in sub-standard quality homes.^{xliv}

An understanding of on-the-ground issues is important when considering policy solutions for the systemic housing problems facing rural and Northern Ontario. Before the COVID-19 pandemic, some parts of rural Ontario were not growing and, unfortunately, were even shrinking; clearly, they faced real problems with population attraction. Other areas that were growing were experiencing housing prices rise and supply decrease as newcomers moved to town; this in turn posed its own unique set of supply-related challenges. In Northern Ontario, a different concern was evident: though many homes were available for purchase, adequate housing was scarce. Each of these types of communities had its own set of problems that needed to be addressed with policy reforms tailored to their individual needs. However, that was before the pandemic inspired the rediscovery of appealing and more affordable communities in rural and Northern Ontario, which poses its own unique opportunities and challenges.

“SPACE IS THE NEW LUXURY” – THE IMPACT OF COVID-19

When the COVID-19 pandemic began, the duration of the public health lockdown measures was unknown. Employees did not know if returning to the workplace would happen in weeks or months; however, as time progressed, both employers and employees grew accustomed to work-from-home capabilities for those industries that could adjust to remote work. Manufacturing and direct service delivery businesses were either deemed essential and continued to operate with new restrictions or faced a combination of continued closures, slower day-to-day sales, and severely altered practices.

In urban Ontario the growth of service-oriented work over the past several years meant that many people were employed in businesses that could operate remotely, including many in the finance, legal, or professional sectors. With the move to quasi-permanent remote work, many Ontarians were able to re-evaluate their individual situations. Proximity to the office was one of the main reasons to be in urban settings, a factor which, for the time being, no longer mattered. When combined with the financial impacts of the pandemic, many found themselves questioning the need to pay high mortgage rates and rents to live in close proximity to an office that may never reopen.

In Ottawa, RE/MAX Affiliates Realty sales representative Chelsea Hamre stated succinctly: “People have been asking themselves where they want to be if this [virus] hits again, if we see a second wave. They want more space for home offices, and bigger backyards.”^{xlvi} Similarly, fellow Ottawa sales representative Bill Meyer of RE/MAX Hallmark Realty, recently stated that interest in the periphery towns of Embrun, Carleton Place and Kemptville has shot up dramatically during the pandemic.^{xlvii} The most affordable and least affordable cities in Ontario are noted in Table 2.

TABLE 2. THE THREE MOST AFFORDABLE AND LEAST AFFORDABLE CITIES IN ONTARIO

3 MOST AFFORDABLE CITIES		3 LEAST AFFORDABLE CITIES	
CITY	AVERAGE HOME PRICE	CITY	AVERAGE HOME PRICE
THUNDER BAY	\$217,745	HAMILTON	\$569,490
SUDBURY	\$268,696	OAKVILLE	\$719,000 ^{xlviii}
WINDSOR	\$303,183	GREATER TORONTO AREA	\$804,584

Quite simply, living in the GTHA is expensive. In January 2020, just before the pandemic, the average price of a new single-family detached home in Ontario was over a million dollars.^{xlix} In fact, more than 800,000 Canadian households spend more than half of their income on rent and the international Organisation for Economic Co-operation and Development has called Canadian housing the least affordable in the world. These statistics are not driven by the cost of housing in Thunder Bay or Sudbury, as seen in Table 2, but rather by the prices in the heart of the GTHA.

High rent or mortgage payments detract from a family's quality of life in the GTHA. Their salaries do not go as far as they do in other parts of the province and money for entertainment, sports, vacation, or savings is harder to accrue. Even worse, these high prices also commonly come with sacrifices, with families getting less house for their dollar. With children home from school and parents home from work, a previously livable space quickly became inadequate.

Chris Keleher, a Royal LePage REALTOR® in the Collingwood area, was interviewed about the influx of new buyers in the area since the pandemic and stated that "... 95 per cent of the buyers my team is working with are families where the pandemic has finally been the straw that broke the camel's back, and they are moving out of the city."^{li}

The data back up that observation, with year-over-year housing sales in Simcoe County up 60 per cent from June 2019 to June 2020.

Dufferin County was up 50 per cent year-over-year, with Toronto sales up only 10 per cent during the same period.^{lii} Fittingly, another Collingwood real estate professional, Max Hahne, summed up the trend by stating that "space is the new luxury."^{liii}

Additionally, employers themselves have helped drive people away from cities. Many of them have used the pandemic as an opportunity to close offices and move to permanent, or at least much more regular, remote working environments. A recent survey of American employers by Gartner Research found that 75 per cent of respondents plan to increase significantly the number of remote workers.^{liv} Meanwhile, for illustrative purposes, 40 per cent of all venture capital funding in Silicon Valley goes to paying rent instead of product development.^{lv} Eliminating or reducing the cost of physical offices can be game changing for employers while allowing their employees to work from any municipality they choose, including ones with a higher quality of life outside of the main city cores.

Workers themselves agree with this view: 55 per cent of employees who live in expensive markets surveyed by Gartner indicated that they would move out of their current location if their office became remote permanently.^{lvi} The survey also revealed that those who already live in affordable areas saw little reason to move if their office became



permanently remote.^{lvii} Though less research has been done exclusively in Canada, an ADP Canada survey showed that 45 per cent of Canadians who are currently working remotely would like to continue that arrangement for at least three days a week after the pandemic ends.^{lviii} Essentially, the affordable nature of non-urban Ontario is extremely appealing.

A REVERSAL OF FORTUNES?

Though the pandemic has created a situation whereby the shortage of people moving to rural Ontario may be slowly reversing, the other half of the attraction equation is the situation with local employment. New residents of rural Ontario are bringing their jobs with them, a unique phenomenon of the pandemic age. For existing residents, local job creation is still key.

First, it should be noted that with every new resident the demand for goods and services increases. The purchase of a new home comes with an additional \$73,250 in spinoff activity in furniture sales, renovations, moving requirements, and real estate and legal services.^{lix} Each of these activities helps spur local employment. Additionally, new residents will purchase goods in the local economy, such as groceries, and also use local services such as childcare, athletic facilities, and retail stores. Attracting new residents will increase the demand on services and, depending on the pace and longevity of the influx of new people, the amount of employment in the service economy.

However, rural Ontario, as shown previously, relies more heavily on goods-producing sectors. Luckily, the pandemic has created an increased demand for domestic goods. Be it governments pushing for the repatriation of supply lines and manufacturing to avoid international reliance and being second or third in line for in-demand goods, or a push to buy local to help struggling companies during tough economic times, goods-producing sectors can benefit from today's environment.

The statistics tell the story. According to the Rural Ontario Institute, the province's rural and small towns have experienced an employment drop of only 5.1 per cent compared with the national average decline of 9.2 per cent during the pandemic.^{lx} Though jobs have still been lost, it is clear that economies with high amounts of service level industries, such as hospitality services, have been hit harder. Additionally, government assistance programs, such as the Canada Emergency Response Benefit, go further in rural Ontario where rent and the overall cost of living are cheaper than in urban Ontario. Ultimately, the immediate impact of the pandemic on employment for those 15 to 54 years of age has been less severe for those living in rural and small towns than those living in urban centres.^{lxi} Though a temporary consequence of the pandemic, the less severe impact in these communities sets up rural and Northern Ontario for an easier path to recovery.

When it comes to the true goods-producing sectors specifically, they are actually experiencing growth. Those in raw resource industries, such as forestry, have seen demand skyrocket as families have saved money on commuting, childcare, and entertainment and are instead using those funds for needed renovations or expansions. As a result, industries such as forestry, fishing, mining, oil and gas, construction, and manufacturing all saw higher levels

of employment in June 2020 in rural areas than they did in June 2019 (Figure 1).^{lxii} These sectors are proving their resiliency despite the pandemic and, luckily for the future of rural and Northern Ontario, they are almost exclusively located in rural and Northern Ontario. Other sectors that have experienced growth, including the finance and public administration sectors, are also now able to operate in rural and Northern Ontario due to the nature of remote work.

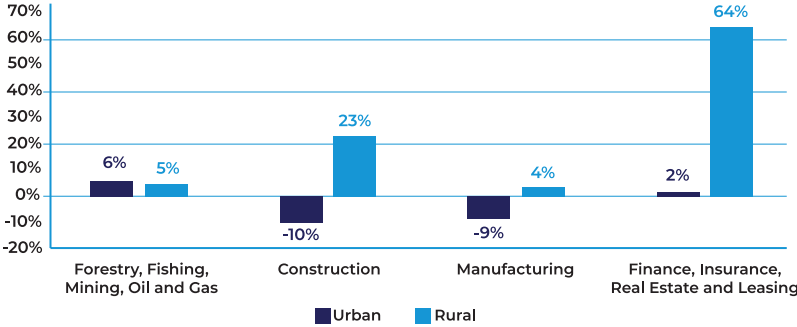


FIGURE 1. YEAR-OVER-YEAR PERCENTAGE EMPLOYMENT GROWTH: JUNE 2020



PART 2:

Recommendations to Ensure Prosperous Northern and Rural Ontario Communities





From both an employment and a population growth perspective, the pandemic has the potential to reverse the fortunes of rural and suburban Ontario in the short- and medium-terms. However, the long-term fortunes of these areas remain uncertain. Will systemic issues experienced before the pandemic be paused or stopped permanently? Will the growth experience in rural Ontario translate to Northern Ontario? Will the constant brain drain of young talent, the overall population declines, the reduction of high-quality services, the steady drops in goods-producing employment, the neglect of local infrastructure by higher orders of government, or the unavailability of adequate housing continue to be challenges that plague rural and Northern Ontario? Or, will the pandemic force investment from government and renewed economic growth in these communities to offset these trends? Clearly, the pandemic, despite first and foremost being a tragic public health crisis, is also an opportunity to revitalize non-urban Ontario. To do so, governments need to remove barriers to success and enable these communities to flourish by addressing the key systemic problems presented above.

There are two options when dealing with economic development in rural versus urban areas: Policymakers can either redistribute the economic gains from some places to others or try to catalyze more market activity in undercapitalized economically-distressed places.^{lxiii}

CREATING AND SUPPORTING JOBS

Embracing Opportunity Zones

In the American model, opportunity zones are designated areas where economic activity and growth have been stagnant. Individuals can invest any capital gains into a designated opportunity fund in these areas. The fund must invest in assets in these opportunity zones, such as purchasing and developing a property or making substantial renovations to an already owned building. So long as the money is not withdrawn by the original investor, they may defer paying capital gains tax for seven years. At that point, they will pay tax on only 85 per cent of the original amount invested; this is essentially a tax break to reward their investment in an underutilized community. By year 10, if the asset purchased by the fund has increased in value, the investor will pay no taxes on the increased value of that property.^{lxiv} All in all, the program gives investors a reduced tax on the capital gains they would have otherwise paid and offers them an additional tax benefit if they provide direct uplift in a community through investment. If the investors do nothing to increase the property's value, they will not benefit nearly as much. Therefore, a preferential tax treatment stimulates investment in these struggling communities.

In the United Kingdom (U.K.), similar policies have been enacted that could provide instructive lessons for Ontario. The U.K. Business Asset Rollover Relief program allows capital gains tax deferrals for businesses that sell an asset and then reinvest the proceeds to buy



a new asset, including buildings or machinery. The deferral is valid until that new asset is sold, at which point the original capital gains must be paid. The program even allows for deferrals if the proceeds are used to enhance existing assets or provisional relief if a business can prove it plans to purchase new assets in the near future.^{lxv} The U.K. has also recently designated certain life science campuses as Life Science Opportunity Zones, which gives these campuses benefits such as ministerial visits and access to business attraction services.^{lxvi} Both of these offerings provide options for Ontario policymakers who could limit the benefit to businesses instead of personal investors, or target only certain industries rather than all businesses in one geographic area.

Regardless of the format chosen, the need in rural Ontario is dire. Between 2003 and 2017, 22 of Ontario's 49 census divisions saw a decline in foreign-direct investment and another 15 saw no foreign-direct investment whatsoever.^{lxvii} Attracting capital to rural Ontario means drawing investments in commercial, residential, and industrial real estate activities. However, to implement opportunity zones properly, some important details must be addressed.

First, the zones themselves need to be drawn carefully. In the American model, individual states are responsible for delineating opportunity zones based on a pre-established set of criteria that determine what constitutes a struggling area. However, in this model, states can include up to 5 per cent of their zones as areas that fall outside of that economic criteria.^{lxviii} This can reward investors for making investments in areas that are doing well, if not thriving, and can be a quick portal to funnel money into condominium or office developments that could have achieved significant financial backing already. This is antithetical to the purpose of opportunity zones and, if implemented in Ontario, criteria for qualification should be strict and apply only to communities that have been struggling socioeconomically. This would mean that not all of rural and Northern Ontario areas would qualify, but those that do would experience a greater benefit.

Second, an Ontario version should seriously consider changing the timelines used within the American model. Given there is a benefit to investors accrued after seven years, and an even more significant benefit seen after 10 years, it is possible that investors will abandon their investments immediately after this time has passed. Though immediate investment is welcome, it would be beneficial if investors had more incentive to stay longer-term and invest in projects that have long-term community ownership at their core.^{lxix} For example, investments in affordable housing, health care, or educational centres that have lower rates of return over a longer period than investments in condominiums or commercial retail spaces are rare under the current model.^{lxx} By having a timeline for return that more closely mirrors the types of projects needed throughout rural and Northern Ontario, the government could help guide investors towards these types of projects.

Of course, in lengthening the timelines for return on investment the government would also deter investment in the first place. To remedy this, the government may have to increase the overall benefit to investors to attract investment. If the policy is successfully implemented, the tax benefits given to investors will be more than offset by the positive impact in the communities receiving the investment. If the rate of return is not attractive enough investors will forego any potential benefit but, more importantly, these communities will not receive the influx of capital they need. Thus, an Ontario model should ensure that both communities and investors benefit in order to create a properly functioning policy. Any lengthening of the timeline for return should be examined closely to develop the best formula for return for all parties.

Third, despite the benefits of opportunity zones, embracing the American model of tax reductions on capital gains in Ontario would require cooperation between the provincial and federal governments due to our tax system. That cooperation should be pursued immediately to ensure the program can be implemented quickly to capitalize on the growing momentum in rural and Northern Ontario.

RECOMMENDATION #1

The Government of Ontario should embrace the policy of opportunity zones by working with the federal government towards immediate implementation. The Ontario version should contain stricter criteria for qualification as an opportunity zone and consider a longer timeline to incentivize the right type of investment.

Attracting New Businesses

Though the best option for implementation is coordination with the federal government, the province of Ontario should pursue similar policies on its own. In doing so, the province would not be able to offer full capital gains deferrals; rather, it would need to consider implementing a similar model of tax deferral and forgiveness using other taxes.

To do this, the provincial government would need to evaluate the taxes it does control. These include corporate income taxes, business registration taxes, employer health taxes, and – indirectly through their control of municipalities – property taxes. In a similar vein to opportunity zones, the province could offer a partial deferral of a number of these taxes to companies that make investments in qualifying areas. This deferral could include a reduced payment, similar to opportunity zones, where the rate charged at the end of the deferral is only a portion of the original tax rate. This benefit would only be offered to companies that invest above a certain amount in either new projects or through substantial renovations and expansions. Ultimately, this policy amounts to a temporary tax holiday for companies, combined with a reduction in overall taxes owing.

This idea would build on the already successful municipal policy under the *Planning Act* known as Community Improvement Plans, which offer financial incentives for projects that meet certain criteria. In Barrie, for example, these criteria include affordable housing projects and brownfield developments, among others.^{lxxi} However, Community Improvement Plans are quite limited in scope, restricting municipalities to only a few small policy levels; any inclusion of property tax relief would need to come from the provincial government. If property taxes are included in this package, the province should reimburse municipalities by the same amount that it is allowing companies to defer or keep. When it comes to other taxes paid to the provincial treasury, the deferral can be accounted in a manner similar to the COVID-19 temporary tax deferrals announced in March 2020.

Municipalities simply do not have the scale to attract significant new investments on a regular basis. Provincial tax relief in the form of a deferral, combined with some tax forgiveness, could provide a significant incentive to companies. Given the United States' (U.S.) endorsement of opportunity zones, plus the recent desire among all parties to repatriate American manufacturing because of COVID-19, the incentives offered south of the border could put Ontario in a very difficult financial position. Contrarily, if newly elected President Joseph Biden raises corporate tax rates as promised in the U.S., the availability of an attractive alternative in Ontario may be very appealing for many companies.

This policy could also differ regionally, with more aggressive tax breaks or longer tax holidays for investments in regions that are struggling more than others. For example, a 15 per cent total tax break in rural Ontario could be increased to 20 or 25 per cent if the investment is made in Northern Ontario. Additionally, taxes that impact certain industries directly, such as the mining tax, could be included in the policy to further incentivize specific types of industries to invest in Ontario. In Nebraska, a similar tax holiday policy is being trialed to stimulate investment in areas with high unemployment and declining populations, which they dub "enterprise zones."^{lxxii}

Given the Government of Ontario's March 2020 announcement of a 10 per cent corporate income tax credit for investments in non-GTHA municipalities, it is clear the province is already considering policies that reward investment in non-urban areas. The tax holiday proposal is a logical continuation of this strategy and can be a political alternative to the much-maligned practice of giving companies monetary handouts, colloquially known as corporate welfare, to attract investment.

RECOMMENDATION #2

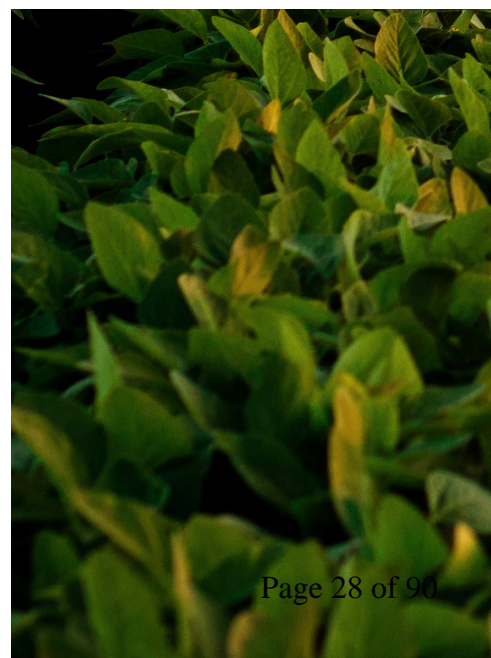
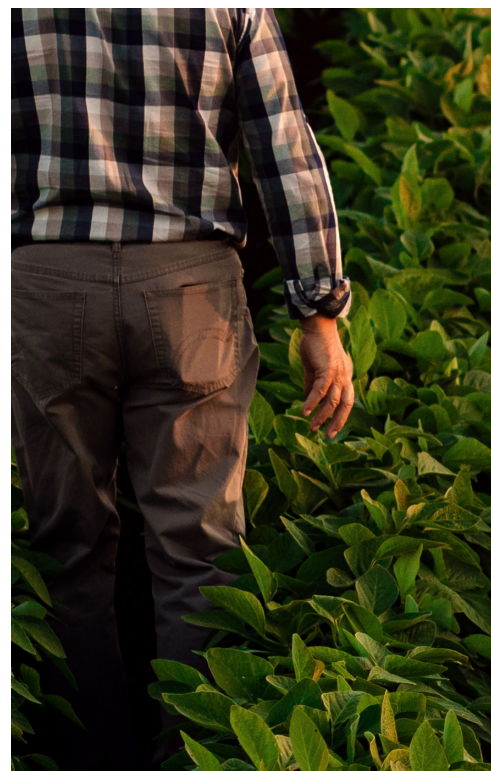
If the Government of Ontario does not pursue opportunity zones with the federal government, it should consider a similar provincial-only model combining tax holidays and tax deferrals to qualifying investors in rural and northern areas to help attract and retain businesses.

Helping Small Businesses Recover and Grow

Opportunity zones, tax holidays and forgiveness policies have the potential to attract new mandates and investment to rural and Northern Ontario, but they would do little for most businesses that already exist in these areas, i.e. small businesses. Capitalizing on the newfound opportunities for rural Ontario is important, but it is crucial to the social fabric of these communities to support those who are already there, employing local individuals and persevering through hard times. After all, the most likely to invest in these communities are the businesses that are located there already. Additionally, small businesses, especially in sectors such as tourism and hospitality, are struggling throughout the province through no fault of their own. To ensure that the pandemic's negative economic consequences do not become permanent, the province must remove unintended barriers to the growth of small businesses.

Currently, Ontario's small businesses pay a reduced corporate income tax rate, known as the small business tax rate, if their annual revenue is less than \$500,000. Currently, that tax rate is 3.2 per cent. However, the moment that a small business earns more than \$500,000 in revenue, it 'graduates' to the traditional corporate income tax rate, which currently stands at 11.5 per cent, representing a 259-times increase in their tax owing to the Ontario treasury. A small business that earned the maximum under the small business tax rate would owe \$16,000 to the government. If their revenue increased by one dollar, to \$500,001, that tax bill would jump to \$57,500. Therefore, a small business owner must make approximately \$550,000 in net revenue just to arrive at the same after-tax position they enjoyed at \$500,000 in revenue under the small business rate.

This massive automatic increase discourages small businesses from growing, hiring more Ontarians, and helping with the province's economic recovery from COVID-19. To remedy this, the province should institute a phased-in transition from the small business tax rate to the



higher corporate income tax rate. As originally suggested by the Ontario Chamber of Commerce,^{lxxiii} these transitional rates could be designed in a revenue-neutral manner to eliminate any impact to the provincial treasury. The province could even make this change revenue negative, thereby instituting a tax cut for Ontario's businesses while removing tax barriers to proper growth.

RECOMMENDATION #3

The Government of Ontario should create a tiered graduation from the small business tax rate to the full corporate income tax rate to encourage and incentivize Ontario's small businesses to grow in the wake of COVID-19.

The Government of Ontario has multiple options at its disposal to help create jobs in rural and Northern Ontario. One of these options includes moving the offices of government agencies and bureaucracies outside of the downtown Toronto core to these areas. If there is real financial benefit for businesses to move to more permanent remote work or vacate downtown Toronto office buildings, it follows that this principle would also apply to the government's business enterprises.

It should be stated that Ontario has historically moved some offices outside of the downtown Toronto core. The Ministry of Natural Resources and Forestry is located in Peterborough, the Ministry of Agriculture, Food and Rural Affairs is in Guelph, and the Ministry of Finance has a division in Oshawa. When it comes to agencies, the Ontario Lottery and Gaming Corporation has a presence in Sault Ste. Marie and the Ontario Provincial Police headquarters is in Orillia.

Despite this, non-metropolitan municipalities have lower public sector employment rates than their metropolitan counterparts due to the high presence of post-secondary institutions and capital cities in metropolitan areas. There is no reason why non-urban municipalities should be prevented from sharing in the jobs that their tax dollars fund. Arguably, by bringing government jobs to towns that do not currently have many, the rising tides of regional alienation and dissension may ebb.^{lxxiv}

When a substantial government office is moved to these areas it brings not only the directly employed workers and their families, but also encourages spin-off jobs and allied industries to establish a presence in the area. For example, in Sault Ste. Marie, one scratch ticket manufacturer that moved to the city because of the lottery presence employs 20 per cent as many people as the entire Ontario Lottery and Gaming Corporation footprint in the municipality.^{lxxv}

Research hubs also develop. In Guelph, nearly every agricultural association has offices in the municipality. The University of Guelph has become a world leader in agricultural research, ranking third in the agriculture, dairy and animal science category and fourth in the food and technology category according to the Centre for World University Rankings.^{lxxvi}

The pandemic is the perfect opportunity to move these offices; the disruption to workflow would be more limited than normal, with many employees able to work from home during the transition. Offices of the Ministry of Heritage, Sport, Tourism and Culture Industries could be moved to the Niagara region which, in normal times, relies disproportionately on tourism to drive its economic fortunes. Government agencies such as the Education Quality and Accountability Office or the Alcohol and Gaming Commission of Ontario, which have no geographic dependency on their current locations, could be moved to places such as Owen Sound, Stratford, Perth, or North Bay. The same principle applies to the Workplace Safety and Insurance Board or the Liquor Control Board of Ontario's offices, which are both located in downtown Toronto in some of the most expensive real estate markets in Canada.

The government could use the savings on rent or the proceeds of sale (if it owned the previously occupied buildings) to invest in infrastructure or pay down the debt. Additionally, some of the savings from reductions in rent could be used to help offset moving costs or pay employees a top up to incentivize them to move with the office, if needed. If employees wish to be transferred, they can apply to do so or



continue to work remotely for the time being. Local employees could be prioritized moving forwards, where applicable, and their salaries would go further given the lower cost of living.

RECOMMENDATION #4

The Government of Ontario should create an office re-location strategy to review eligible bureaucracies and agencies that can be moved outside of the urban core to rural and Northern Ontario.

CLOSING THE INFRASTRUCTURE GAP

Bringing Rural Infrastructure into the 21st Century

With the influx of people to non-urban Ontario, the stress on rural institutions such as hospitals and schools will grow. If this trend is due to an influx of retirees, the stress on the healthcare system will increase with this older population; however, if the trend of young families moving out of urban areas continues beyond the COVID-19 pandemic, the demand for education, childcare, and other services will increase dramatically as well. Worse yet, many of these institutions were already suffering from a lack of investment and proper maintenance before COVID-19. As the government prepares for this challenge, it should consider accelerating infrastructure investments in rural locales.

First, there is an immediate economic benefit that complements infrastructure funding. In the short term, 9.4 jobs are created per million dollars spent and gross domestic product (GDP) rises by \$1.43 for every dollar spent on infrastructure.^{lxxvii} In the long-term, GDP can rise as much as \$3.83 for every dollar invested and, as time passes, the benefits accrue to other private-sector industries compared with temporary gains in the construction sector.^{lxxviii} For example, if a new post-secondary satellite campus is built in a rural area the construction sector benefits immediately. The long-term benefits of a new campus are that it attracts young students, helps local students access quality education, allows for retraining programs, and even increases access to services such as athletic facilities or learning centres and libraries with high-quality broadband resources. All in all, an investment such as this has the potential to increase both the amount and quality of local employment, which then leads to more house purchases and builds; this in turn leads to the accrual of benefits to sectors such as real estate and finance that were not the obvious beneficiaries of a post-secondary campus.

Second, municipalities own as much as two-thirds of essential infrastructure assets such as roads, bridges, and wastewater infrastructure. Rural municipalities will face increasing pressure to upgrade these assets but will not have the historical tax base to draw

from, with new residents increasing demand immediately but paying for the cost of those services over time. This does not even account for the difficulties of expanding servicing to greenfield lots where new housing is planned.

To make matters worse, most municipal funds, such as the Ontario Municipal Partnership Fund, commonly underfund rural municipalities. Many of these funds are built on a 50/50 formula, with half of the dollars distributed on a per capita basis and the other half on an as-needed basis. Given that rural municipalities have fewer residents than urban municipalities, they are guaranteed to receive less through the first half of the formula. When it comes to the second half, need is determined in an immediate sense, not a future one, which means that rural municipalities faced with upcoming pressures due to new residents will not have a compelling case. Further, municipalities that tax their population adequately in order to raise enough funds to pay for needed infrastructure upgrades will receive less money in the second half of the formula than municipalities who keep taxes low at the expense of funding their infrastructure needs properly. Therefore, rural municipalities that are good stewards of assets or have future growth pressures due to out-migration from cities will not be financially compensated under existing government programs.

A 2018 Ontario Federation of Agriculture survey found that an overwhelming majority of urban residents believe that rural infrastructure, specifically the quality of rural schools, is far below the quality in urban settings.

RECOMMENDATION #5

The Government of Ontario should review the funding formula for municipal funding programs, such as the Ontario Municipal Partnership Fund, to ensure that rural and northern municipalities are not unfairly changed when it comes to infrastructure funding.

Services that are commonplace in urban Ontario, such as natural gas access, may be rare in rural and remote parts of the province. For many businesses natural gas is a must have in order to keep costs competitive, meaning parts of the province that do not have reliable natural gas access are simply not an option for relocation or placement of expansions. In fact, the Ontario Federation of Agriculture estimates if natural gas was readily available across the province it would save families, farmers, and business owners a combined \$1 billion in annual energy costs.^{lxxix} That money could be reinvested in the rural economy, used to hire more employees, or better prepare for retirement.

Luckily, the Ontario government has already taken significant steps to improve natural gas access in rural communities by allowing cross-subsidization on natural gas bills through legislation. By allowing ratepayer funded expansion, the province intends to spend \$130 million expanding natural gas access between 2021 and 2023. However, when the Ontario Energy Board put out a call for projects, they received 210 eligible projects totaling nearly \$2.6 billion of work, demonstrating the overwhelming need in rural and Northern Ontario.^{lxxx} This need will only grow if new housing is built to accommodate increased pandemic-related growth. Therefore, in order to continue to make home ownership more affordable in these locales and create the conditions for businesses to succeed, the government should continue with its ambitious approach to natural gas expansion through cross-subsidization and further build upon its proposed expansion plans. They could do this by announcing the next slate of projects for development beyond the 2023 timeline.

By ensuring rural and Northern Ontario have the services that families and businesses need, the government can help reduce the cost of living and make living and working in rural Ontario an even more attractive option. Better yet, these funding and policy reforms that address rural infrastructure gaps can help position rural Ontario for long-term success when the immediate pandemic related out-migration trends likely expire.

RECOMMENDATION #6

The Ontario Government should continue with its ambitious natural gas expansion policies by increasing the number of expansion projects being funded in order to lower the cost of business and the cost of living in rural and Northern Ontario.

Connecting Rural and Northern Ontario

Further complicating matters are issues with internet connectivity and broadband technology. In order to live and work in remote areas, high-speed internet is essential. The Canadian Radio-television and Telecommunications Commission suggests that it will take 10 to 15 years to reach target internet speeds in most rural areas.^{lxxxix} The provincial and federal governments have both made investments in this capacity, with the current provincial government allocating an impressive \$680 million over four years in its 2020 budget.^{lxxx} This investment by the province is one of the most important decisions the government could make in supporting Ontario's rural economy and the government deserves high commendation for its leadership to this point.

However, in addition to accelerating or increasing existing funding, the provincial government can also move to address challenges that providers face, such as issues with restrictive easement or a lack of access to provincially owned utility poles to install necessary broadband infrastructure.^{lxxxi} Though the province is investing in this space, the regulation of these internet service providers falls under federal jurisdiction. The province could pressure the federal government to further incentivize rural broadband by matching investments or allowing charges to existing customer bases to help cover expansion costs, similar to the way natural gas and electricity expansion costs can be covered within Ontario. The province has already bestowed substantial money that is desperately needed; its delivery to rural communities in the form of broadband connectivity should not be held up by regulatory barriers or internal financial hurdles.

RECOMMENDATION #7

The Ontario Government should eliminate barriers to broadband installation in rural areas, including reviewing provincial easement rules and utility pole access, while also encouraging the Federal Government to pursue regulatory reforms that accelerate broadband funding.



Accelerating the Conversion of Properties to Create Homes

As written about in our [previous whitepaper](#) on COVID-19 and housing policy, the retail industry will be forever changed by the pandemic. With customers embracing e-commerce and online retailers like Amazon at an unprecedented rate, traditional shopping malls and retail strip plazas are struggling. However, most of these properties are located at the heart of rural, suburban, and northern communities, are already serviced by infrastructure, have larger footprints due to parking spaces, and have existing interconnectivity with transit. In many cases, they are perfect locations for residential properties and mixed-use developments.

For example, the owners of the Hanmer Valley Shopping Centre in Sudbury have been pursuing necessary planning changes to allow for a portion of their existing mall to be converted into senior's residences within the facility.^{lxxxiv} The seamless connection between the existing retail shops and the new residential units will bring a built-in customer base and bring senior residents closer to the services they need in a municipality known for its harsh winters. The idea has endorsement from local municipal councils but, despite that agreement, requires several different permits including official plan amendments and zoning changes. The permit process was begun in 2017 and still has not been completed, with an expected bylaw in place to enable the change by the end of 2020.^{lxxxv} Other examples include a conversion of a former school in Trout Creek, Ontario into five affordable housing units and a hotel conversion in Tavistock, Ontario that was converted into a 16 unit affordable housing project for those 50 years of age and older.^{lxxxvi}

If suburban and Northern Ontario are going to begin facing these population demands, fast-tracking property conversions and re-zoning can help developers accommodate the new demand, create new housing rapidly, and avoid letting existing buildings deteriorate in the face of tenant shortages. Though municipal zoning orders could be used regularly for this goal, that process lacks transparency and relies on political will. Instead, the province should review the steps needed for property conversion to mixed-residential with an eye to eliminating barriers and accelerating the process. Fast-tracking this process will also help governments convert properties into affordable housing, should they wish to continue that trend.

RECOMMENDATION #8

The Ontario Government should undertake reforms to accelerate the conversion of commercial properties into mixed-use residential sites. These reforms should be respectful of municipal authority but feature expedited timelines for decisions from local councils.

REVERSING THE OUT-MIGRATION OF TALENT

Creating Local Post-Secondary Options

An overwhelming number of young people that leave rural and Northern Ontario do so to access their preferred post-secondary institutions and programs. Without local options available, these students will always choose to leave their hometowns. Though universities have begun opening satellite campuses throughout Ontario, they still tend to conglomerate in more suburban settings, with satellite campuses or agreements with colleges in places like Barrie and Brantford. However, Ontario's 24 public colleges more commonly open satellite campuses in smaller communities, with college representation in more than 200 of Ontario's 444 municipalities.^{lxxxvii}

This physical presence is crucial as studies show that many students will not consider post-secondary education if it is located more than 80 kilometers away, essentially further than a reasonable drive.^{lxxxviii} This is especially true for lower- and middle-income families who are more likely to choose college over university due to cost barriers.^{lxxxix} However, many of these prospective students do not have the money or



the time to attend post-secondary. Even with government assistance, many may choose lesser skilled employment instead of pursuing lengthy degrees. This time barrier even prevents entry into the skilled trades, which are sorely needed throughout the province.

To help accommodate the time demands of rural students, and even those recently unemployed by the pandemic, the province should embrace rapid re-training and upskilling programs called microcredentials. These programs are short in nature, can be stacked on top of each other to reach a full credential, and are created directly in conjunction with local employers to fill local labour needs.^{xc} By embracing this new form of programming, the government can help fill localized skills gaps, return students to the workforce faster than ever, help workers overcome pandemic related job losses, and provide an easier to access form of programming for lower- and middle-income rural residents.

For example, a current microcredential program at Conestoga College trains workers in warehouse logistics given local employers like Adidas and Ferrero Rocher have recently invested in state-of-the-art warehouses in the area. At St. Lawrence College in Kingston, the college offers microcredentials specially tailored for the needs of local employer Shopify.^{xcii} In rural locales microcredential programs could be created to train agricultural or viniculture workers on emerging new technologies. Similarly, in Northern Ontario, for example, as mining companies transition to electronic powered trucks and vehicles, they could create a microcredential with local colleges to help mechanics build on their existing skills to be able to work on these new fleets in addition to traditionally diesel-powered mining equipment.

The Ontario government announced in its 2020 Budget that it would be creating the province's first-ever microcredential strategy.^{xcii} This is an important first step towards fully embracing and enabling microcredential programming on post-secondary campuses across Ontario.

RECOMMENDATION #9

The Ontario government should embrace and enable microcredential program offerings at Ontario's post-secondary institutions, specifically those that have satellite campuses in rural and Northern Ontario.

Attracting Newcomers

One way to overcome the historic out-migration from small population centers and rural regions is to focus on attracting immigrants, whether international immigrants or domestic migrants from other Canadian provinces, to replace leaving students and workers once borders re-open. In 2019, the Federal government launched the Rural and Northern Immigration Pilot to do just that by matching these communities with employment needs with interested immigrants.^{xcii} The community fills their employment needs quickly while the



talented immigrant is provided with employment, a fast-track to permanent residency, and targeted settlement services. The intention of the five-year pilot is to discourage immigrants from settling in traditional newcomer hotspots such as Toronto and Vancouver, in favour of communities that desperately need qualified workers. The pilot was modeled after a similar 2017 program in the Atlantic Provinces that saw 2,500 workers nominated to fill labour market needs and was deemed successful by Immigration, Refugees and Citizenship Canada in filling labour gaps across the region.^{xciv} Despite the promise of the program, only 5 Ontario municipalities are currently eligible.

However, for attraction and recruitment strategies to effectively counter the declining population of rural centers, programs need to not only attract immigrants but retain them. Newcomers and interprovincial migrants may select a home based on employment opportunities, but they will stay based on characteristics such as social vibrancy and whether others from their ethnocultural group have settled there. In the short-term, rural communities that have been selected for the Federal pilot should aim to couple the program with local grass roots initiatives such as creating a “one-stop-shop” for settlement and employment information and services, providing online services and learning options, and encouraging more diverse amenities and options in the community (e.g. food options, places of worship).

Those communities that have not been selected as part of the pilot program should have a dual focus in both advocating that the federal government expand the pilot, and/or create a second pilot, while also focusing on local initiatives that promote the benefits of working and living in small centers. Communities can engage in self-promotion through websites, social media, advertisements, targeted international recruitment efforts, and developing resources to support employers who want to hire immigrants. Where needed, rural municipalities should look to the province to offer help in funding these initiatives.

In the longer-term, Ontario should work with the Federal government to develop a new category under the Ontario Immigrant Nominee Program (OINP) for immigration to small centres, rural, and Northern areas. Potential streams could include both high- and low-skilled worker streams, with support for family members such as dedicated employment connector support programs.^{xcv} A dedicated and annually renewed rural and Northern immigration stream of the OINP could be adjusted on an annual basis to react to the long-term population ramifications of the pandemic. It would, in essence, be a permanent endorsement of the pilot model initiated by the Federal government.

RECOMMENDATION #10

All three levels of government should work together to encourage new Canadians to settle in Ontario's rural and Northern municipalities. This work could include an expansion of the current five-year pilot Rural and Northern Immigration Pilot to cover more municipalities, the creation of local immigrant support services, and the creation of a dedicated OINP stream for immigrants wishing to settle in rural and Northern locales.

Reversing the Youth Brain-Drain

To increase rural populations, improve rural economies, and break the “brain-drain” cycle, rural areas have long tried to offer incentives for people to move to their towns. In Ontario, the Northern town of Smooth Rock Falls once offered residential lots for only \$500, resulting in 24 new families moving to town and one family returning.^{xcvi} In Tulsa, Oklahoma, the local government is handing out \$10,000 cheques to remote workers who choose to move to, and work remotely from, Tulsa.^{xcvii} Though the freebie model can bear results, it is not necessarily the wisest use of taxpayer dollars and land.

Instead, similar, but more targeted options, exist. Just last year, for example, the State of Kansas began offering state income tax breaks to students who attended college out of state if they moved to a rural





town in Kansas after graduation.^{xcviii} In 2016, Maine expanded their opportunity tax credit, which had been limited to graduates of in-state schools, to graduates of out-of-state schools who live and work in Maine. Maine Governor Janet Mills promised in her campaign to simplify the complicated tax-credit system and to invest in a “Rural Return Scholarship” to give young people from rural Maine incentive to return to their hometowns.^{xciv} In a similar model, the Canadian military currently pays for tuition and guarantees an Officer position in exchange for a graduate spending at least five years in the Canadian Armed Forces upon graduation through its Regular Officer Training Plan (ROTP).^c Once families have moved to a rural locale, or students have entered the military, they are likely to stay.

The common thread with each of the above examples is the direct focus on recent graduates. The rural brain-drain issue is a loss of young, educated talent. Any recruitment program aimed at fixing this needs to target similar candidates, be they from rural and Northern Ontario originally or not. When combined with the strength of their family ties and their experiences in their communities before they left, financial incentives can be the final piece to get students to move back to rural communities upon graduation.^{ci} If they move back at a younger age, the odds of them planting roots, starting a family, and remaining in these communities for their lifetime greatly increases.

The government should evaluate the demographic impacts of the pandemic to ensure the problem is still present after the immediate out-migration to rural and Northern municipalities subsides. Additionally, the made-in-Ontario program could harness tuition reductions or grants similar to the ROTP model, tax cuts similar to the Kansas model, or a combination of both

RECOMMENDATION #11

The Ontario government should design a made-in-Ontario program to financially incentivize recent graduates to move to rural and Northern Ontario in order to reverse the rural brain-drain.

GETTING MORE HOUSING BUILT

Cutting Red Tape

When it comes to building housing in rural and Northern Ontario, the amount of red-tape and lack of standardization in land use regulations creates confusion around jurisdictional approval and leads to higher home prices. For example, under Section 50 of the Planning Act, government approval is required for any type of land division, whether a greenfield is being broken up into 50 buildable lots or a single lot is being divided into two separate parcels. Most single-tier and upper-tier councils are assigned approval authorities for plans of subdivision but the *Planning Act* allows these councils the option of delegating all or a part of their authority to municipal councils, planning boards, or appointed officers, committees of council, or municipal-planning authorities.^{cii} Therefore, in some towns the approvals for subdividing land into multiple lots to build homes is granted by the upper-tier, and in others they are granted by the lower-tier municipality or their delegates. This creates confusion for developers and unnecessary barriers. For example, in Vaughan, a Draft Plan of Subdivision Application is required when a landowner proposes to divide a parcel of land into more than three separate parcels.^{ciii} In Peterborough, a Draft Plan is required when you propose to create four or more lots,^{civ} and in Hamilton a subdivision is created

when land is divided into two or more lots.^{cv} The lesser the requirement for a draft plan of subdivision, the higher the barrier to building homes.

Even worse, in accordance with Section 50, the larger the number of lots being created, the more complex the considerations in the planning approval process will generally be. The process for subdivision is such that in the first consultation phase, 3 steps are taken over approximately 30 days. The next phase takes approximately 15 days and includes circulating and approving draft plans and holding a public meeting. The following phase, approval of the Draft Plan, may lapse over 3 years and can be different in each municipality. Following that period, approximately 8 more steps are taken over several months before final approval is issued. Overall, it can take nearly 4 years before subdivision can begin, depending on the municipality.^{cvi} Beyond the general requirements of the *Planning Act*, issues around suitability of the land for the proposed use, and adequacy of vehicular access, water supply, and sewage disposal may cause the approval authority to require an environmental site assessment (ESA) to study a property to determine if contaminants are present.^{cvi} Additionally, development taking place where there is possible interference with wetlands and alterations to shorelines, may require permission from the local Conservation Authority as well. The many individuals involved in the process (Conservation Authority, ESA supervisors, town councils) and the many associated regulations creates confusion, delays, and drives up costs.

The steps in the process are important, especially the environmental considerations, but taking nearly half a decade before a single shovel in the ground is unacceptable, especially when one considers the rapid demographic changes and demands the pandemic has caused in rural and Northern Ontario. In the C.D. Howe Institute's 2018 report on the high cost of barriers to building new housing in Canadian municipalities, it was estimated that because of the barriers to building more single-family houses, homebuyers in the eight most restrictive cities in Ontario paid an extra \$229,000 per new house between 2007 and 2016.^{cvi} Though the current government has taken positive steps to address red tape in the housing sector through Bill 108 and the most recent reforms to the *Ontario Environmental Assessment Act*, more needs to be done.


RECOMMENDATION #12

The Ontario Government should take steps to promote jurisdictional clarity over development approvals and quicken the overall timeline for new builds. This work should aim to streamline the process and set uniform processes for things such as the definitions of woodlands or the requirements for a draft plan of subdivision.

Embracing Co-Living for Seniors

Though rural and Northern Ontario may have population challenges with young people, it is important to remember they already contain a high number of senior residents who have chosen the rural lifestyle for its affordability and higher quality of life, with more interest likely to come as the baby boom generation fully retires. Thus far, the Ontario Government has recognized this trend, taking important steps such as the introduction of the *Golden Girl's Act* to help reshape the planning processes that local municipalities undertake to ensure that seniors are able to choose shared affordable housing options if desired. While this policy shift has moved the Province in the right direction of providing affordable options for its seniors, more can be done to support Ontario's seniors, ensuring they have access to vibrant communities that promote their long-term wellbeing. In particular, a shortage of affordable housing supply and supporting infrastructure has constrained the choices available for retirement age Ontarians in communities outside the GTHA.

With the municipal planning hurdles addressed, the Province can now build on the *Golden Girl's Act* by encouraging local investment from businesses tied to the development, operation, and maintenance of retirement-based living facilities. At present, the approvals process can slow or deter investment in retirement facilities, as businesses remain reluctant to take on risk for the limited upside provided by a

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small community. In response, the Government of Ontario can offer a targeted expedition or streamlining of necessary approvals to get more shared housing built. To date, retirement complexes like the Bayshore Village community in Brechin, Ontario are built on a model of expensive, fully-detached single family homes to help cover the cost of amenities and planning approvals. Quite simply, a less expensive planning process would allow for more types of senior's housing – including co-living units – to be built. This greater density in community retirement housing, will help attract necessary amenities and small businesses, while employing caretakers and other residual staff. In all, a less complicated approvals process can provide seniors with more options for shared living while invigorating a local community.

RECOMMENDATION #13

The Ontario Government should explore ways to accelerate approvals for activities related to the construction, operation, and maintenance of community-based living facilities for the elderly and those who require regular professional care.

Eliminating Growth Plan Targets

Since its initial release in 2006, the Growth Plan for the Greater Golden Horseshoe (GGH) has served as an important framework for spurring economic and community growth in a critical region of Ontario. With the release of the updated plan in the Spring of 2019, the Province took steps to reflect changing demographic and industrial realities, one of which was aiming to boost housing supply to achieve lower prices. Today, elimination of the existing rural growth plan targets would serve to better realize this objective.

First and foremost, the growth plan targets, in tandem with zoning reviews, have produced pronounced challenges for rural municipalities that are not felt in denser urban areas. Relative to the downtown core, growth has been somewhat slower in other GTHA communities and the GGH overall. For many communities that are subject to the Growth Plan and also have over 50% of their land zoned for agriculture, average home prices have tended to be about 6% higher than a municipality with the same share of agriculture not subject to the Growth Plan.^{cix} This is simply because detached housing in these areas is harder to come by given the Growth Plan targets force municipalities to build up, not out. Ontarians are not moving to Innisfil or Ancaster to live in a condominium, they are in fact trying to do the exact opposite. If these communities are forced to target higher levels of density they will build housing options that are not in demand.

A growing body of literature, like that conducted by the Ontario Professional Planners Institute, has found that an accelerating disconnect between regional household incomes and housing prices that has had much more of an impact on the affordability of single units than any government policy. However, while the Growth Plan and

the Greenbelt have not in and of themselves made this pricing challenge occur, the existing rural targets have done little to promote affordability in light of this economic reality. Eliminating these stringent requirements would support a healthier and more buyer-friendly market in communities outside the GTHA while providing Ontarians with the housing options they expect as they did not choose to leave urban Ontario during a pandemic to live in a constrained condominium in rural Ontario.

RECOMMENDATION #14

The Ontario government should eliminate the existing Rural Growth Plan Targets in light of their true impact on housing supply and affordability, as well as evolving demographic and economic trends in Rural Ontario.

Developing a Rent-to-Own Program

Today, would-be home buyers are frequently excluded from the dream of ownership due to out-of-reach price points and realities that limit their ability to access alternative financing. Faced with limited viable alternatives, home-seekers continue to rent and do not participate in a growing housing market. REALTORS®, builders, and everyday people ultimately bear the brunt of this market failure.

The rent-to-own model presents a possible solution. In a rent-to-own market, investors or homeowners, rent out their property to a tenant, while also providing the tenant with the option to purchase the home after a certain period of time at an agreed-upon price. Critically, the option deposit, along with any rent credits, are used as part of the down payment on the home.

At scale, this presents would-be home buyers with a third alternative, where their credit and their savings would no longer be a definitive barrier to ownership. Instead, the rent-to-own model would help tenants to get into a home right away, while building credit and a down payment through rent credits. Concurrently, investors would benefit through higher regular rent payments and greater long-term certainty in the outcome of their assets.

New Zealand is one jurisdiction which has benefited from a Rent-to-Own program to assist ordinary people and families excluded from the market. The program works by allowing renters to rent their home from a private owner for a term of 5 years, after which renters can access a mortgage to buy a minimum of 60% of the purchase price of their homes. Ontario should consider the implementation of a similar program for affordable housing units – tailored to the Province's unique macroeconomic circumstances.

Provincial policymakers have mulled this mechanism before, and Ontario law permits rent-to-own agreements between private citizens. However, the challenges of introducing a government-backed rent-to-own program on a large scale are vast. With this in mind, it is recommended that a gradual approach be employed – one that starts with a rural community pilot. This order of precedence enables the Ontario government to target supports for those who need it most while directly addressing the challenge with worker retention that is faced in many of these communities.

RECOMMENDATION #15

The Ontario government should develop a rent-to-own program for affordable units in the non-GTHA to promote greater accessibility to housing, encourage worker retention, and provide an affordable alternative for would-be home buyers.

CONCLUSION

By enacting these 15 recommendations, the Government of Ontario can ensure it sets up the towns and cities of rural and Northern Ontario for success in the immediate aftermath of COVID-19 and for years to come. By tackling challenges with population attraction, infrastructure, housing, and job creation, these communities can be empowered to become the prime destination for people of all ages and from all walks of life, whether they're young families, those working from home, retirees, or immigrants. With those barriers addressed, more of Ontario's population will be able to consider seriously living in rural and Northern Ontario, thereby giving them the opportunity to benefit from the natural beauty and higher quality of life common in these towns.

This potential growth and re-population of rural and northern towns will usher in new challenges, including increased demand on services, cultural renewal, increased competition for employment, and additional stress on local infrastructure. These, however, are 'good' problems to have, as they signal that rural and Northern Ontario will no longer be afterthoughts in the minds of decision makers, but rather the beacon of strength and resilience that they once represented. With this spirit in mind, all orders of government can work together to help ensure a bright future for every corner of Ontario.

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SMALL TOWNS, BIG POTENTIAL: UNLOCKING GROWTH IN ONTARIO'S RURAL AND NORTHERN COMMUNITIES

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The StrategyCorp Institute of Public Policy and Economy provides thought leadership on important public policy issues facing Canadians and their governments across the country by combining policy expertise with key political insights.

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The Ontario Real Estate Association commissioned the StrategyCorp Institute of Public Policy and Economy to produce an independent white paper on the socioeconomic conditions in rural and Northern Ontario before, during, and after the COVID-19 pandemic. For questions specifically regarding this document, please contact the authors listed above. For questions regarding the Ontario Real Estate Association or Ontario's real estate association more generally, please contact the Ontario Real Estate Association directly.

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ONTARIO REAL ESTATE ASSOCIATION



**RAINY RIVER FUTURE
DEVELOPMENT CORPORATION**
A Community Futures Development Corporation



Dated: March 31 2021

Period: March 2021

RRFDC 2 Year Action Plan:

	KPI and (Completion Date)	Actions
Mill Site: Planning and collaboration Work with Riversedge/Aazhogan Seek opportunities for development.	Complete study (Q1 2022) Create collaborative plan with partners (Ongoing) Assist with marketing efforts and support (Ongoing)	<ul style="list-style-type: none">• Industrial Rate Study Completed• Committee to prepare and RFP for consulting services• Application to NOHFC
MAT Committee: (Tourism) Implement Marketing Plan with FedNor and NOHFC funding Experiential Tourism New product development	Website development (Q2 2021) Host workshops on experiential tourism (Q4 2021) Initialize a digital marketing program (Q3 2021) Return occupancy to pre-COVID-19 19 levels (Q4 2022) Preparation for growth (2023)	<ul style="list-style-type: none">• Signage out for quotes• New Website in development• Sunset Country Memberships• Wrap ad in June Wpg Free Press• Meeting with Museum talk about “maker space”• Promotion of new supports as details role out.
Downtown Re-vitalization and SME Retention: Promote increased use of market square. Support (loans etc.) - Digital Support (Training)	Market the square to micro and home businesses startups (Ongoing) Maintain GL percentage usage (Ongoing- Q4 2022) Add net 2 new merchant members. (Q4 2021)	<ul style="list-style-type: none">• Video created thank local• Purchased cards and updated machines• Thank you, program, -Cards to community groups handed out.

- GOLocal		<ul style="list-style-type: none"> Transitioning to Chantel MacLeod taking on role.
Woodyard and Gateway: RFI for “Attraction Land” Promote woodyard to hotel developers. Promote site to multi-residential developers.	Issue RFI (Q2 2021) Market property to 40 hotel developers (Q1 2022) Market to housing developers (Q1 2022) Create marketing materials (Ongoing to Q1 2021)	<ul style="list-style-type: none"> Hotel investment groups list creation is ongoing. Two presentations to developers Need clarification on site plan approval status
Industrial Lots: Promote the industrial lot sites.	Provide recommendations to Council on economic value (Ongoing)	Two inquires and one letter of offer to council
Mining Supply and Service: Market Fort Frances as a location	Two meetings with New Gold (Annually)	<ul style="list-style-type: none"> Meeting with committee Future meeting scheduled
Rainy Lake Square Activities/Project Petunia/Canada Day: Assist in the transition to museum staff.	Ensure a smooth transition (Q1 2021) Monitor activities and assist were needed (Q3 2021)	<ul style="list-style-type: none"> Transferring assets and files, providing assistance as required
Boundary Waters Forest Management/Wood Products: Participate in BWFMC Seek users for available fiber.	Attend BW meetings (Ongoing) Communicate opportunities (Q2/3 2021 start) Market fiber available with BWFMC (Q3 2021) Execute fiber study Q2 2021 (based on NOHFC) Share fiber information with potential users (Ongoing) Meet with 4 possible users (Q4 2022)	<ul style="list-style-type: none"> Attended BWFMC Meetings Two New multi-million-dollar investment opportunities CRIBE Study participation Application to NOHFC
Partnerships and Relationships	Attend BIA and Chamber Meetings RRDMA linkages Meetings with all Ind Ec Dev Agencies	<ul style="list-style-type: none"> Meeting with second Ec Dev Corp. Written to all requesting

Additional Activities:

- **Inbound inquires**
- **Requests for information**
- **Support to community groups when requested**
- **Fort Frances Social Media**

PLACE-BASED POLICY OPTIONS FOR ENTREPRENEURSHIP IN A POST-COVID CANADA



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EXECUTIVE SUMMARY

The September 2020 Speech from the Throne represents a milestone in Canada's federal economic response to the ongoing COVID-19 pandemic, and the efforts of policymakers to help Canadians weather the storm caused by shutdowns and slowdowns. Many of these policies—and their counterparts enacted by the provinces—have been focused on helping workers and businesses stay afloat and keep the lights on, while making vague promises to “build back better” once the virus was at bay.

Several of these policies and rapidly deployed programs have provided relief and support to small businesses. And understandably so: almost 70% of Canadians are employed by a small business, and in the preceding four years, small businesses accounted for the majority of net employment growth. In rural Canada, the economic and community role of small businesses is even more pronounced.

But as Canadians look forward to this period of economic recovery and governments herald a new normal, few signals have been given about its policy landscape, and even fewer about the role of small business and entrepreneurs in the post-COVID strategy. With the horizon now in sight, how can governments move quickly to put a shot in the arm of small businesses and entrepreneurs that are operating in disparate and localized challenges and conditions?

In this report, we advocate for six policy options that move Canada's entrepreneurship and small business supports from strength to strength. They do so by leveraging and working within existing structures, policies, and priorities in a manner that can address numerous goals at the same time. In setting out these options, we have attempted to craft policies that offer a place-based framework responsive to local assets, opportunities, and priorities across Canada, without being prescriptive about the innumerable aspirations and opportunities that dot the map.

While recognizing a strong cultural and fiscal foundation for entrepreneurship which will follow Canada into its period of recovery, our proposals primarily support three dimensions of a healthy entrepreneurial ecosystem—human capital, market access and institutional support. We address these through six enabling policies, which can be summarized as follows:



RECOMMENDATION #1:

We recommend that entrepreneurship and small business support programming be designed and delivered in a “bottom-up”, intergovernmental structure in order to be more responsive to local economic needs. We propose to do this through the creation of new, regionalized economic development entities, which are funded by federal, provincial and territorial governments to implement economic development, small business, and entrepreneurship support programming based on localized strategic plans.



RECOMMENDATION #2:

We recommend that Canada’s skills development and continuous learning goals for small businesses and entrepreneurs be addressed by incorporating micro-credentialing into government grants and financing for businesses, as a condition or requirement.



RECOMMENDATION #3:

We advocate for the expansion of existing immigration programs to create a specialized stream dedicated to business succession—and to connect business owners in rural and remote communities with newcomer talent.



RECOMMENDATION #4:

We recommend that government student loan borrowers be permitted to defer their repayments and pause interest accumulation for a period of five years in order to enable marginalized youth to engage in entrepreneurship.



RECOMMENDATION #5:

We propose the creation of a new stream under the federal Youth Employment and Skills Strategy to provide placements for youth in ex-urban small businesses in order to facilitate reverse mentorship and skills development.



RECOMMENDATION #6:

We call for federal, provincial, and territorial governments to craft policies that cause local-level public purchasers to develop entrepreneurship- and small business-focused procurement policies. We suggest, as a starting point, that the requirement for such social procurement goals be mandated as a condition for municipalities to receive funding under the federal Gas Tax Fund.

Each of these is described in greater detail in the following pages.

While the Canadian regional dynamic will never be fully immunized from economic inequities, we believe that these proposals provide a workable, place-responsive, and efficient means of leveraging the post-COVID recovery as a catalyst for a stronger and locally adapted entrepreneurial ecosystem.

We thank the Action Canada and Public Policy Forum teams for their assistance and support with this project.



OVERVIEW

In response to the federal government's September 2020 Speech from the Throne, critics noted a lack of focus on business and entrepreneurship. Writing for the Fraser Institute, Jason Clemens and Jack Fuss argued that the government's vision failed to address the central role entrepreneurs play in generating economic prosperity and spurring innovation.¹ In fact, the speech itself only referred to "small business" once, and made no mention of the risks that small business owners and entrepreneurs take to launch successfully and maintain their enterprise. These ventures have been further imperiled by the economic downturn triggered by the COVID-19 pandemic, and their struggle and importance to the economy calls for a response from government.

In this report, we identify policy options for governments that fit within existing priorities and programs and that can boost and stabilize entrepreneurship and small business in a post-COVID Canada. In light of the need for urgent policy responses and recognizing the limited resources in an already strained fiscal envelope, we hesitate to call for whole-scale revision to the policy landscape in the majority of our recommendations. Rather, we propose options that are broadly consistent with the longstanding Canadian policy theme of regionalized, place-based economic development and the immediate needs of the global pandemic. We identify options and recommend policy solutions that emphasize collaboration across levels of government, and that incentivize or nudge desirable entrepreneurial policy and activity by public sector organizations and local government actors.

For obvious reasons, the focus of governments over the past year has been on preventing business closures and job losses by delivering aid to businesses and workers in the form of rent relief programs, enhanced employment insurance-type programs, and wage subsidies. While they were delivered expeditiously and flexibly, these are “Band-Aid” solutions of a temporary nature. The full post-pandemic recovery will require more nuanced, constructive and sustainable shifts and adaptations to public policy, which are responsive to local economic opportunities, workforce needs and economic assets.

As such, in the pages that follow, we present six policy recommendations to foster and build up Canada’s entrepreneurial environment, drive new business creation, and support business transition and succession. Each of these options reflects an opportunity to craft policy that is place-sensitive and responsive to local needs and opportunities, while supporting policy goals for immigration, rural development, training and skills development. Our recommendations are crafted to consider internal migration trends, counteract the impacts of an aging population, demonstrate the possibilities of technology and training, and suggest ways to capitalize on economic opportunities and the assets of local economies.

In an article for the Public Policy Forum in June 2020, Sean Speer and Weseem Ahmed noted that in light of Canada’s economic trends and established urban-rural labour market gaps, there is a strong case for policymakers to reconsider how place-based policy may help mitigate the economic development challenges of disruption and demographics.² Each of these challenges has been exacerbated by a global pandemic. We hope the solutions we propose in this report may provide a helpful application of a place-based paradigm.



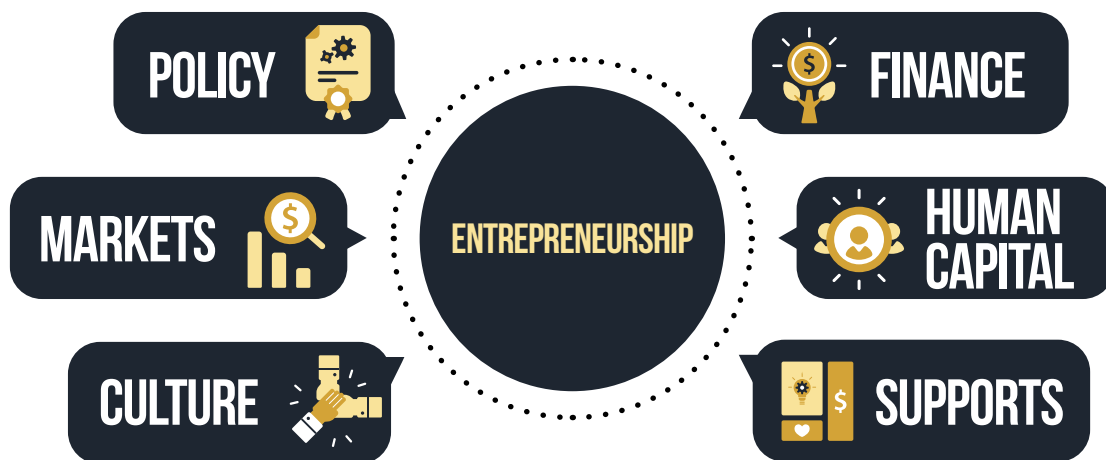
THE FULL POST-
PANDEMIC RECOVERY
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AND ADAPTATIONS TO
PUBLIC POLICY** WHICH
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WORKFORCE NEEDS,
AND ECONOMIC ASSETS. ”

OUR APPROACH

Writing for Forbes in 2011, Daniel Isenberg conceptualized an entrepreneurial ecosystem which organizes the conditions for entrepreneurship into six domains: a conducive culture, appropriate finance, enabling policies, quality human capital, venture-friendly markets for products and a range of institutional supports.³ This is, in our view, a useful model for assessing the landscape for entrepreneurial activity in a given jurisdiction or region.

In crafting our proposals, we believe two of these domains are in good health:

- 1** **First**, we have started from the position that Canada presents a strong cultural foundation for entrepreneurship already. Statistics Canada reported that in 2017, almost 70% of Canadians were employed by a small business, and in the preceding four years, small businesses accounted for the majority of net employment growth.⁴ A recent survey by GoDaddy also shows that this appetite for entrepreneurialism is growing among working-age Canadians, and that a commanding majority of Canadians value businesses with 25 or fewer employees.⁵
- 2** **Second**, the fiscal environment for start-ups in Canada provides abundant opportunity. A full review is beyond the scope of this report, but it is clear that federal and subnational governments across Canada pledge significant portions of their budget to providing support for small business and innovation, both through direct programs and indirectly, through taxation and arms-length agencies.





WE'RE TRYING TO **APPLY A
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With this in mind, we have prioritized the remaining domains from Isenberg's ecosystem—human capital, market access and institutional supports—and have outlined enabling policies responsive to each of them. These domains provide significant promise for rapidly deploying policy enhancements that promote favourable conditions for entrepreneurship across Canada, in a manner that ameliorates place-based needs. In our view, they are also the domains with the greatest variability by region.

Our investigations have consisted of consultations with subject-matter experts and a review of governmental, policy, and academic literature. We hope to refine options for government that will move Canada's entrepreneurial ecosystem from strength to strength by building on existing policies and structures in a manner that facilitates locally responsive strategies and program delivery and provides manageable frameworks to meet localized business needs.

To the extent that any of our observations or assumptions are anecdotal in nature, we submit that this work is intended to facilitate dialogue and idea-sharing among those looking to develop workable and practical policy solutions. Each of our policy options, and the resources that inform them, recognize the key role of entrepreneurialism and small business to the Canadian economy and Canada's pandemic recovery.

Of note, this work was undertaken as part of the 2020/21 Action Canada Fellowship. This program typically provides opportunities for immersive learning in various locations across Canada, though such activities have been constrained by the same public health concerns that motivate our report and its recommendations. Despite limitations to our ability to carry out primary research, this report makes efforts to apply a place-based lens and arrive at productive and helpful insights for policymakers setting a post-pandemic recovery agenda.

RECOMMENDATIONS

Institutional Supports



Entrepreneurship supports should be designed and delivered in a “bottom-up”, intergovernmental approach in order to be more responsive to local economic assets, capacities, and goals.

Canada’s response to the COVID-19 pandemic has been diffuse and inherently place-based—all by design. To respond to the economic downturn precipitated by various stages of lockdown and business closures, the federal government implemented standardized financial support programs—such as the federal Canada Emergency Wage Subsidy (CEWS)⁶ and Canada Emergency Response Benefit (CERB).⁷ Importantly, supports were also distributed through local agencies, local governments, non-governmental entities, and Indigenous organizations. This enabled local organizations to design and implement programs and strategies and to distribute relief goods in a manner that suited the unique needs of their region or community.⁸

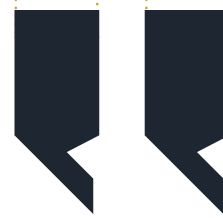
In doing so, central governments were able to ensure that the organizations with the most intimate knowledge of their community’s needs were directly engaged in the distribution of services. These offerings ranged from money that could be spent at local discretion to degrees of “program bend”, wherein local agencies could vary the requirements of supports and programs made available to the public by federal, provincial, and territorial governments.

The public policy wisdom of localizing strategy development and economic program delivery has long been recognized as a best practice in place-based policy. In rural development, this is evident in the shift over time from policies focused on improving productivity in fishing and farming to raising incomes and living standards, to an industrial and manufacturing focus, to a more recent focus on capacity-building and improving the social capital of a region. Regions with stronger internal capabilities are better equipped to find their own solutions based on local circumstances.⁹

Today, regional economic development is increasingly about mobilizing a region's economic assets to allow it to become more economically diverse and competitive. From a policy standpoint, designing the institutional structure to support these efforts is part of the equation.¹⁰ While a patchwork of federal, provincial, and localized programs and funding streams are available to support entrepreneurial activities in Canada, the reality is that their coordination is poor, leaving gaps and inequities in support from region to region, which the federal government has acknowledged.¹¹ This causes poor alignment—across the board—in the programs offered between levels of government, and results in programs that are designed “top-down”, rather than with a focus on local priorities and economic assets.

We advocate for a new, cross-sectional, locally driven, and intergovernmental approach to address these shortcomings that reconceptualizes the role of existing agencies and levels of government. In doing so, we draw from the wisdom and experience of models that have been piloted in various jurisdictions, both in Canada and abroad:

First, tri-level arrangements, such as the urban development agreements (UDAs) in place in some Canadian cities between the municipal, provincial, and federal governments, provide one useful conceptual structure. UDAs marshal the strengths of different levels of government with the community and business sectors of a specific region or location. UDAs have been used to combat social problems, such as poverty. However, their appeal in the



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entrepreneurship context is their ability to facilitate knowledge flow “upward” from local governments and grassroots organization, as opposed to “downward” from federal and provincial authorities. UDAs address the criticism that policy impact is limited when there is poor coordination by different levels of government. UDAs do this by rallying participants around common objectives as opposed to broad top-down strategies.¹²



Urban agreements in place in cities such as Winnipeg, Vancouver, and Regina share several common features. These include that:

1. The target is a geographic region, and the methodology of the participants builds from a bottom-up understanding of local needs, assets and capacities;
2. Strategic plans are forged through intergovernmental dialogue and community consultations that identify specific projects; and
3. Roles and responsibilities for management and administration must be defined at the outset, and this is typically driven by a committee with representation from different levels of government.¹³

The literature specifically alludes to the application of the UDA model for more broad use in place-based policy to address challenges in “thematic groupings” of communities—such as cross-border cities or single-industry remote communities.¹⁴

Second, recent pilots of the “smart specialization” model have shown promise for harnessing regional economic assets and capacity towards localized economic goals. Smart specialization is not simply about focusing a region on a particular industrial area, but about creating the conditions to address missing or weak links between R&D and innovation resources and the sectoral structure of the economy.¹⁵ The beauty of smart specialization is that it can be applied to a variety of regional economic contexts, whereas the focus on clusters tends to favour cities.¹⁶

Smart specialization is fundamentally based on a process of entrepreneurial discovery—that is, identifying what a region does best or has the best opportunity to pursue in terms of innovation. It is a place-based approach that builds on the assets and resources available to a region and on their specific socioeconomic challenges, to identify its opportunities for development and growth.¹⁷



SMART SPECIALIZATION IS A **PLACE-BASED APPROACH THAT BUILDS ON THE ASSETS AND RESOURCES AVAILABLE TO A REGION AND ON THEIR SPECIFIC SOCIOECONOMIC CHALLENGES** IN ORDER TO IDENTIFY ITS OPPORTUNITIES FOR DEVELOPMENT AND GROWTH. ”

Taking this together, we recommend a restructuring of government entrepreneurship and business development support programming that adapts practices from both the smart specialization and UDA experience, thus empowering local economic actors to take a greater role in crafting enterprise support and economic development. This, in our view, is consistent with the institutional supports described by Isenberg to promote entrepreneurial activity.

To do this, we propose that governments and local stakeholders collaborate to map catchment regions of common economic circumstance and manageable geographic area and create new development corporations that include governance representation from civic, Indigenous, provincial, and federal governments. These organizations—which we have dubbed Local Economic Action and Planning corporations (or LEAPs)—would be funded by federal, provincial, and territorial governments based on their submission of a multi-year economic development strategic plans that address and are built on local workforce needs, economic assets, and business capacity.

LEAPs would be successors to existing local agencies, such as the federal Community Future Development Corporations in Ontario.¹⁸ Traditionally, local agencies—particularly in less populous centres—provide a gateway to off-the-rack funding programs offered by federal, provincial and territorial governments, but are beholden to the program constraints of these funders. In contrast, LEAPs would be empowered to develop their own programming structures and funding streams, which would be funded annually based on milestones set out in their economic development strategic plan.

By equipping a regional or localized economic development corporation in this manner, local economic development policy and programming will necessarily become more responsive and accountable to local needs, while higher levels of government can designate broad baskets of funding for certain functional purposes. This leaves delivery in the hands of local decision-makers and strategies. This will also formalize the role of municipal

and Indigenous leadership in local economic development—actors which, in smaller centres, often lack the independent fiscal firepower to launch homegrown economic or entrepreneurship policy.

We do not envision this as policy of “downloading” or devolution, but of symbiosis. In this model, we see a specialized role for federal, provincial, and territorial governments in setting governance policy, supporting capacity building for LEAP personnel and boards, and evaluating strategic plans for funding. We can illustrate the distinct roles of LEAPs and federal, provincial and territorial governments through the process of strategic planning. In our model, the form of an economic development strategic plan should be prescribed by the funder. It should account for entrepreneurial skills development, local economic assets, and identifying strategic investments for key sectors. However, the exact content and specific programs and initiatives set out in this governing plan should be based on the local factors and priorities identified by the LEAP.

This model accounts for differential needs of different regions (indeed, the catchment area of a LEAP should be determined by the local communities it serves), and it allows for programming and funding structures to be responsive to local circumstances and economic assets. While an initial pilot of this restructuring could leverage the federal Regional Development Agencies and begin with their service regions, we anticipate that a successful transition to more localized control of economic development will alter the long-term role of these agencies and result in changes to federal and provincial org charts to reflect their role in policy and capacity-building versus needs-identification and program delivery.



WE PROPOSE THAT
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CATCHMENT REGIONS
OF COMMON ECONOMIC
CIRCUMSTANCE
AND MANAGEABLE
GEOGRAPHIC AREA**
AND CREATE NEW
DEVELOPMENT
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INCLUDE GOVERNANCE
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CIVIC, INDIGENOUS,
PROVINCIAL, AND FEDERAL
GOVERNMENTS. ””



Human Capital



Encourage continuous learning and skills development by incorporating micro-credentialing as a requirement for government business grants and financing applications.

In early 2020, the Ontario government launched an advertising campaign to attract workers to the skilled trades and encourage employers to hire more apprentices. The slogan of the campaign, “Find a Career You Wouldn’t Trade” portrayed careers in the skilled trades as economically attractive and personally fulfilling. The province invested in ad placements in unconventional settings, including digital placements, in movie theatres, and at Tim Hortons locations. This campaign sought to address economic policy goals with the marketing wisdom of reaching a defined target audience with an impactful message.¹⁹

When it comes to skills development and training, policymakers must draw on this same wisdom and tailor their program offerings to the time constraints, cost-benefit analysis, educational philosophy, and age and stage of life of the entrepreneur or business proprietor.

Skills development will take on renewed importance post-pandemic and it will be incumbent on governments to support skills growth. As a December 2020 Policy Options piece put it: governments need to support the recovery of small businesses affected by the pandemic not just with fiscal levers, but also with mentorship and digital literacy.²⁰

But educational and skill development opportunities need to be appropriate for those they are meant to support. Governments are increasingly recognizing this. For instance, the Government of Canada signaled its support for alternative and innovative methods for skills development. In its November 2020 report, *Canada—A Learning Nation*, one of the priorities identified is to “promote, enable and validate skills development and training in all their diverse forms”.²¹ The report also highlights the importance of skills development for small and medium-sized enterprises (SMEs),²² including by encouraging start-up entrepreneurs to build basic business skills.²³ It identifies that while many initiatives are already in place to assist small business employers—such as skills development clinics, incubators, and accelerators—more needs to be done to make these services accessible to smaller communities.²⁴

Obviously, digital skills will determine the future of many small businesses. Canadians appear to recognize this—those surveyed indicate that Canadians believe new technologies make starting a business easier, and more flexible and competitive.²⁵ Yet, small business owners and employees face practical challenges in upgrading skills or pursuing educational opportunities. Finding time to partake in traditional technical or post-secondary educational programs can be problematic for those running a business, and sourcing funds to invest in tuition and other education costs can frequently be deprioritized in the face of day-to-day operational pressures. For others, locating reputable sources of training with an appropriate scope and focus can be daunting. Many entrepreneurs are also self-reliant by nature, and skeptical of traditional education pathways. Some entrepreneurs also hold negative impressions of the classroom and question the contributions of traditional education to their success.

But that does not mean government should forsake investment in educational opportunities or skills upgrading for an otherwise motivated and economically productive demographic. It simply means that a new delivery vehicle is necessary. We advocate for governments to take a new approach to entrepreneurial education that removes some of these barriers while delivering necessary, practical skill training in a manner that is integrated with other government supports. Online micro-credentialing is an ideal vehicle and forms a useful means of enhancing human capital in the entrepreneurship equation.

Micro-credentials are “mini-qualifications” that demonstrate skills, knowledge or experience in a given subject area or capability. Micro-credentials tend to be narrower in range than traditional qualifications like diplomas or degrees. Because they can be formulated to focus on specific skills or capabilities, they provide a flexible, digestible learning format to respond to a changing educational landscape and rising demand for upskilling and



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reskilling. Micro-credentials have emerged as an alternative to traditional approaches to learning and can provide an accelerated, targeted, and more accessible way of acquiring skills for people at various stages of career progression and in even the most remote areas.²⁶ This addresses another domain of Isenberg's ecosystem by providing educational opportunities adapted to those who need them.

One challenge with micro-credentialing is limited awareness and lack of traction among employees and employers alike. As noted by Alex Usher, the President of Higher Education Strategy Associates: "One of the many unrealized promises of the last decade or so has been the idea that the types of credentials available to students—micro-credentials...—would proliferate."²⁷ However, he goes on to note that if a large corporation like LinkedIn were to offer micro-credentials, then organizations would not need to determine how to value each new micro-credential, because LinkedIn would have the ability to track the career trajectory of each employee who completes a given credential and provide tangible evidence of its utility. In this way, Usher argues, micro-credentials would be effective and could challenge existing degree and diploma programs if they are given an appropriate platform for wide uptake. While this approach is ambitious, applied on a smaller scale it can still raise employer consciousness about micro-credentials and their utility.

Micro-credentials, in the abstract, are an opportunity, but their uptake will depend on accelerating social and industry recognition of their usefulness. We suggest that government granting programs (those that provide support to small business start-ups and scale-ups and that direct support to entrepreneurs)

incorporate micro-credentials into their design. We recommend that governments integrate micro-credentialing into the structure of government granting and financing programs, as an eligibility criterion for levels of funding, a condition on forgivable portions of funding, or a requirement to draw down tranches of funding envelopes. This will allow governments to directly facilitate capacity-building as an element of existing program delivery. In doing so, government programs will be better calibrated toward delivering on their capacity-building objectives.

While it will be an administrative decision for government whether to host the micro-credentialing programs or platform—particularly if the focus is on online delivery modules—we believe that governments should work with public and private sector entities to develop a robust catalogue of options for those seeking skills development. We suggest that the existing network of Community Futures offices²⁸ in rural areas and similar economic development offices elsewhere could provide direction on the specific skills most in need in their business communities. As in many elements of business and economic development, the public sector agencies and non-profits operating closest to their communities are best positioned to inform government about the types of micro-credentials that would best serve those communities.

In the future, if entrepreneurship funding or support programs are locally developed (as described in Recommendation #1), upper levels of government could mandate that micro-credentialing be a necessary component of the LEAPs' mandate in order to qualify for funding, but also to serve as a measure of quality control and standardization.

Assuming that the federal government continues to deliver on its pledge to provide broadband connectivity to all Canadians, a new focus on online micro-credentials can provide all communities with equivalent skill development opportunities while ensuring that there is a wide enough range of credentials to be responsive to local needs and circumstances. This will assist rural businesses, in particular, to develop the skills to access new markets and learning opportunities not customarily available near their business.



MICRO-CREDENTIALS, IN THE ABSTRACT, ARE AN OPPORTUNITY, BUT THEIR UPTAKE WILL DEPEND ON ACCELERATING SOCIAL AND INDUSTRY RECOGNITION OF THEIR USEFULNESS. TO DO THIS, **WE ARGUE THAT GOVERNMENT GRANTING PROGRAMS INCORPORATE MICRO-CREDENTIALS INTO THEIR DESIGN.** ”



Expand existing immigration programs to create a specialized stream dedicated to business succession in order to connect business owners in rural and remote communities with newcomer talent.

The Bytowne, a local independent cinema in Ottawa, recently announced that it would be closing its doors. While this decision was largely a consequence of the economic decline, in announcing the closure, the owner of the Bytowne also referenced challenges in finding an interested successor to run the business—a prospect made more difficult by the pandemic. As the proprietor noted in his communique: “It’s still possible that someone will want to take over the Bytowne business and offer independent cinema ... but it’s a scenario that’s unlikely until we get out of the eye of the pandemic storm.”²⁹

Business succession is a dilemma that business owners across Canada are increasingly struggling to navigate. This struggle is compounded for businesses in remote and rural communities, and will likely worsen during the pandemic-induced economic downturn, as many younger working-age people opt for employment that promises less need for investment and more stable income.

The statistics are daunting: approximately half of the businesses in rural Ontario do not have a formal succession plan, despite the fact that nearly 4 in 10 of their owners intend to leave their business within the next five years.³⁰ A lack of planning makes business transition challenging, and could lead to business closures and job losses, which would in turn negatively affect the sustainability and vitality of rural and remote communities.

One way the Government of Canada supports rural and remote businesses is through newcomer attraction. Canada has long used immigration as a tool to counteract aging demographics, population decline and labour market shortages. In recent years, there has been considerable focus on ensuring that immigration is supporting not just urban centres but rural and less densely populated communities as well. Through targeted measures, such as the Provincial Nominee Program, the Atlantic Immigration Program, and the recently launched Rural and Northern Immigration Pilot (RNIP), the federal government has attempted to diversify the benefits of immigration to smaller communities across Canada.

The RNIP, in particular, has a narrow focus on smaller communities (those with a population less than 100,000). The program helps connect participating communities with skilled foreign workers using a community-driven model whereby both the federal government and communities set qualifying requirements. This approach is intended to ensure that immigration meets the specific labour market needs of Canada's smaller communities.³¹ One such need that a participating community could address through the RNIP is entrepreneurship in the form of business transition—selecting labour market needs that fill emerging gaps in the current business community.

Immigration is a policy area that remains under-operationalized to address this challenge. We advocate for the Department of Immigration, Refugees and Citizenship Canada to expand the RNIP by creating a new stream dedicated to attracting newcomers with entrepreneurial skills and ambitions. This would inject new human resources and talent into communities with immediate, specific needs—again, supporting the human capital domain of an entrepreneurial ecosystem.

The new, dedicated stream we propose would attract and select candidates with an interest in becoming part of the succession plan (or purchasing outright) a local business in a rural or remote community. Candidates could initially be brought to Canada as temporary workers, and in this capacity, a candidate would join a local business as an employee, learn about the business, and settle into the community. Once the business owner is ready to retire and transfer the business, the temporary worker could be referred for permanent residence under the new RNIP stream. Importantly, the program can facilitate a staged ownership transition or acquisition of shares in order to accommodate the learning needs of the incoming proprietor and retirement plans of the outgoing businessowner, while equipping the business for success into the future.

Newcomers to Canada present unrealized potential for Canada's small business economy. According to a study by the Business Development Bank of Canada, the entrepreneurial rate amongst immigrants is more than double the rate for the Canadian-born population.³² This aptitude could be a boon for smaller communities, where existing businesses are in need of new hands and may be acquired with fewer resources or less competitive markets. In pursuing these policies, the federal government can help address population decline in rural communities while fostering business continuity and preventing job losses and the closure of small businesses.



Allow student loan borrowers to defer loan repayments and freeze interest charged for a period of five years to enable marginalized youth to engage in entrepreneurship.

Shortly after the start of the COVID-19 pandemic, the federal government froze student loan repayments for the nearly one million borrowers under the Canada Student Loan Program.³³ However, in October 2020, six months after the initial freeze, as Canada entered the second wave of the pandemic and with a vaccine still many months away, the freeze was lifted, with loan payment collection and interest accrual resuming. Though the initial deferral provided some Canadians with immediate relief, its temporary nature limited its effects, including more long-term benefits such as stimulating entrepreneurship among young people, particularly for marginalized youth.

While Canada's student debt figures are moderate compared to other countries, the extremes coincide with certain demographics. We know that graduates with the highest debt are more likely to come from marginalized groups or otherwise be socially disadvantaged. Newcomers, first generation students, racialized people, Indigenous students, and those from some of the poorest postal codes carry a disproportionate portion of Canada's student debt into their working lives,³⁴ and are thus less likely to pursue an entrepreneurial path. This is because debt at graduation becomes a barrier to taking on ventures with inherent risk or financial uncertainty, such as starting a business, even though these individuals may be uniquely positioned to identify markets, services or social needs that are unfilled by existing enterprise. For others who come from limited means, the prospect of starting a business may seem unwise in light of how they view different types of employment and financial risk.

This is reflected in the literature. According to an article published in the Harvard Business Review, student debt prevents millennials from becoming entrepreneurs. The article argues that despite nearly 60% of millennials considering themselves to be entrepreneurs, less than 4% are in fact self-employed.³⁵ Moreover, the number of young people starting companies has been steadily declining since the mid-1990s, a condition which is only expected to worsen as a consequence of the pandemic.³⁶ As Creig Lamb, a senior analyst for the Brookfield Institute for Innovation and Entrepreneurship at Ryerson University, aptly notes: "Starting a business is risky. Starting a business amid a pandemic is riskier. Starting a business amid a pandemic with nearly \$18,000 in student loan debt is much, much riskier."³⁷

\$18,000 is an optimistic assumption. According to Statistics Canada, in 2015, the average debt owed at the point of graduation for a bachelor's degree was \$28,000.³⁸ Since 2015, the average cost of tuition has increased by approximately 6.5%,³⁹ and even more for

professional degrees. The average cost of an MBA in Canada this year averages between \$29,000 and \$51,000, in addition to undergraduate tuition. Again, government student loans programs continue to see concentrations of certain borrower profiles and demographics among those with higher debt loads.

A more equitable approach to student loan repayment, geared toward harnessing the energy, drive, and more-limited obligations of students and recent graduates, would be a positive contribution to the new business landscape, while improving social mobility and providing economic opportunities to disadvantaged communities.

We recommend a five-year deferral of Canada Student Loan Program repayments or interest accrual for post-secondary graduates who engage in entrepreneurial activities, such as starting a business in Canada or entering into an agreement to acquire an existing Canadian business as part of a succession plan for that business. This measure would be available on application, with the federal Department of Employment and Social Development Canada identifying appropriate documentation or evidence of entrepreneurship . This is not just a business growth initiative, but an equity one intended to ensure that the Canadian start-up community remains accessible for all Canadians.

To be sure, this initiative is a natural extension of existing efforts to promote equity and level the playing field for aspiring entrepreneurs. The government has already recognized that entrepreneurs and aspiring entrepreneurs from certain demographics face unique barriers to success. In the most recent Speech



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from the Throne, the government declared its commitment to supporting the economic empowerment of marginalized groups through investments in “the Black Entrepreneurship Program, while working to close the gaps in services for Indigenous communities” along with “accelerat[ing] the Women’s Entrepreneurship Strategy,” an initiative dedicated to “help[ing] women across Canada grow their businesses.”⁴⁰

Freezing student loan repayments could support a small number of graduates, largely from marginalized backgrounds, but still have a big impact in incentivizing entrepreneurship and aiding successful new ventures run by recent graduates. Future permutations of this program feature could offer income-contingent repayment options for borrowers whose business ventures are successful, offer loan forgiveness for new graduates whose enterprises meet job creation targets, or offer preferential terms for those whose start-ups operate in target regions or sectors.

While our recommendation on micro-credentialing supports the development of human capital from those outside post-secondary education, this proposal ensures that our entrepreneurial ecosystem also has appropriate pathways for new graduates.



Create a new stream under the Youth Employment and Skills Strategy to provide placements for youth in ex-urban small businesses to facilitate reverse mentorship and business skill development.

For many segments of Canadian society, the lasting impact of the COVID-19 pandemic is likely to be far-reaching and transformative. For others, it could be devastating.

Youth⁴¹ are expected to be one of the demographics hardest hit by the pandemic and are likely to suffer the consequences of the pandemic on society and the economy for many years to come. The Bank of Canada has forecast that youth are more likely than other groups to work in economic sectors hardest hit by the pandemic.⁴² Similarly, the Organisation for Economic Cooperation and Development’s preliminary research indicates that school closures will cost students in elementary and high school up to 3% of their expected lifelong earnings, which could lead to an average of 1.5% lower annual GDP for the remainder of the century. Young people who are already in (or who wish to join) the workforce will have to weather the dual economic shocks of the Great Recession and the COVID-19 pandemic in their key earning years.

Against this backdrop, we also know that the skills, abilities and digital aptitude of younger generations are critical to the survival of many small businesses in Canada. Small business owners themselves recognize this. For instance, Startup Canada has found that small business owners are enthusiastic about technology, but need help taking advantage of it.⁴³ This challenge is related to a larger problem in rural communities, where the looming retirement of business owners can lead to economic pressure on their communities.⁴⁴

Meanwhile, millennials and younger generations continually lead other demographics in their technology use—including mobile technology and social media.⁴⁵ Tellingly, over 44% of the merchants using Shopify, a leading global e-commerce platform, are between the ages of 18 and 34.⁴⁶ Yet, many young people are unable to find opportunities to learn core business skills or business mentors, a need recognized by Futurpreneur Canada.⁴⁷

In responding to some of these economic and employment challenges facing young people, the federal government has introduced new measures and expanded existing employment and internship programs. In the September 2020 Speech from the Throne, the government committed to “significantly scaling up the Youth Employment and Skills Strategy (YESS), to provide more paid work experiences next year for young Canadians.” Under the umbrella of YESS, the federal government provides funding to employers looking to hire young people. YESS funds employment and internship placements for students and recent graduates in various sectors, including non-profit, international development, and STEM.⁴⁸



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We believe that this program can be further optimized, and that it provides a helpful foundation to address the needs of small businesses in need of innovation, and entrepreneurial young people in need of opportunity, employment and skill development. We note, in particular, the need to generate employment opportunities for youth in rural and remote communities and to support small businesses in rural settings that are facing imminent transition or modernization pivots.

To address these challenges, we recommend the development of a dedicated program that provides funding for ex-urban⁴⁹ small businesses to hire youth in reverse-mentorship employment models. This dedicated YESS stream could be implemented in partnership with economic development agencies to help identify potential business candidates where a placement would prove fruitful to both parties.

In our view, local agencies are best positioned to identify opportunities for reverse mentorship in their service regions or communities. The motivation of these opportunities would be to assist established businesses—with a focus on small businesses and sole proprietorships, shops, and small service providers—to grow by pairing the established management with young talent. Operating in concert with the micro-credentialing recommendation noted above (Recommendation #2), we propose a model whereby the youth hire would be selected based on skills competencies that meet the needs of the business, such as online sales development, social media marketing, branding, or interior or industrial design. In exchange, the proprietor or manager would provide an immersive experience where the youth learns about the fundamentals of their business or industry.

We further recommend making this new YESS stream more comprehensive. For instance, international students are not eligible for a placement with a YESS funded program. While the policy rationale for this is clear (given that the purpose of YESS is to support Canadian youth access employment opportunities in Canada), the dedicated stream to connect businesses in smaller ex-urban areas should include international students in its eligibility. The federal government already relies on immigration to help counteract population decline in smaller communities.⁵⁰ Many international students eventually go on to become permanent residents. Providing access to employment opportunities for international students is an additional way the federal government can leverage immigration to foster resettlement in smaller communities.

Overall, a dedicated stream for placements for young people in small businesses in ex-urban communities would not only provide all the traditional benefits of a youth employment program, such as skills development and employment experience, but also provide youth with exposure to smaller communities in Canada. At the same time, established businesses with a market presence would receive talented labour and reverse mentorship opportunities. The stream could also support business succession efforts, thereby helping secure the sustainability of smaller communities across Canada.



Market Access



Federal, provincial and territorial governments should craft policies that cause local-level public purchasers to develop entrepreneurship-focused procurement policies.

Much of entrepreneurship policy focuses on developing businesses and services that are more responsive to the demands of the marketplace and meeting the needs of consumers. But a more comprehensive and equitable approach should also consider the tools available to government to lift up new or innovative businesses by recalibrating the supply side of the equation too.

In Canada, governments are responsible for hundreds of billions in spending each year. The federal government's expenditures alone amounted to over 21% of GDP in 2019.⁵¹ While not all of this spending is directed to procuring goods and services, it is clear that public purchasers—federal, provincial/territorial and local—are huge players in the Canadian economy. How government procurement policies are structured can determine which business entities are able to compete for these revenues.

Social procurement is one conceptual model that can make the supply-side of the market more entrepreneurship- and start-up-friendly. Social procurement strives to achieve social, economic and workforce goals through changes to a purchaser's process. For public purchasers, the social aims are typically reflected in the procurement policy and may include components such as supply chain diversity and workforce development. According

to Buy Social Canada, social procurement makes procurement more than a financial transaction, but an investment in community capital that generates intentional economic benefits.⁵² Social procurement recognizes that every purchase has economic, environmental and social impacts, and that through policy, we can harness those impacts towards community goals.

The reason social procurement models can be useful for boosting entrepreneurship in various local economies is that there is no clear definition for what is and is not a social goal. For example:



The City of Vancouver now requires developers of large-scale sites to enter into Community Benefit Agreements, committing to make 10% of new entry-level jobs available to people in Vancouver and to purchase at least 10% of goods and services from local businesses that incorporate positive social and environmental impacts or are majority-owned by individuals from equity-seeking

groups.⁵³ In implementing this policy, Vancouver aims to reduce poverty and meet economic development goals set out in its Healthy City Strategy.⁵⁴

The federal and Ontario governments have adopted procurement policies that promote Indigenous economic development by increasing opportunities for businesses owned by First Nation, Métis, and Inuit people.⁵⁵ For instance, the federal Procurement Strategy for Aboriginal Business specifies that contracts that serve a primarily Indigenous population are reserved for competition among Indigenous businesses, with set asides where Indigenous capacity exists.⁵⁶ (Of note, the federal government negotiated specific exceptions for these allocations in relevant trade agreements.)



The City of Toronto's Social Procurement Program strives to achieve a more diverse workforce that meets the skills and hiring demands of employers in the city. The supply chain diversity stream applies to purchase orders from \$3,000 to \$100,000, while the workforce development requirements apply to requests for proposals and tenders over \$5 million.⁵⁷

Smaller communities can use social procurement too. The Village of Cumberland (population 3,700), on Vancouver Island, has adopted procurement policies that requires the purchaser to consider how a purchase might be used to improve the economic, social and environmental wellbeing of the community, to improve access to micro and small businesses or social enterprises, and to promote innovation.⁵⁸ The policy specifies that purchasing decisions must meet the dual bottom lines of economically advantageousness and a commitment to achieving strategic community outcomes.⁵⁹

Likewise, we see social procurement policy as an important piece of the post-COVID entrepreneurship support landscape because it allows for procurement to be responsive to local needs and priorities. As many Canadians have bemoaned that shutdown rules during the pandemic took the greatest toll on small business owners, there is arguably the political will across the country to provide better opportunities for small business in Canada's economic recovery.

Accordingly, we recommend that federal, provincial and territorial governments pursue these goals by adopting new approaches to their project-based funding of local governments. We see this in the form of policies or funding rules that incentivize the adoption and use of procurement policies that incorporate local business development and support goals as a criterion for evaluation of bids and proposals. For example, a procurement policy for a municipality may ask a bidder to address objectives such as:

- 1 How the bidder will support workforce skills retraining for local labour;
- 2 How the bidder's delivery of the goods or services will support small businesses;
- 3 How the bidder will support local social enterprises;
- 4 How many management apprenticeships or internships the bidder will create in the community; or
- 5 The extent to which the bidder will seek supplies from local small businesses in their first five years of operation.

We suggest that eligibility for funding from federal, provincial and territorial levels of government be predicated on local procurement policy that includes measures to return benefits to local businesses, social enterprises and minority-owned businesses—or that promotes entrepreneurial or business skill development. The specific goals or objectives can be defined by the local purchaser, provided there is a clear intention to support new businesses, skills development, new product development or local entrepreneurs. Often, these benefits occur at the second or third tier of a major project, and bidding companies will need to actively seek out or create local partnerships that fulfill the social dimensions of a proposal or tender process.

This proposal presents a “plug-and-play” framework for federal, provincial and territorial levels of government to meet national goals for small business development and to promote equity in entrepreneurship, while allowing local governments to define the specifics in a way that aligns with local social or economic goals. Harkening to Isenberg, this injects enabling policies and new points of market access to the entrepreneurial ecosystem.

As a starting point, we propose the federal Gas Tax Fund as a pilot vehicle to incentivize local governments to incorporate social procurement objectives into their policies. The Gas Tax Fund provides funding to provinces and territories, who flow it through to municipalities to support infrastructure priorities. The fund delivers more than \$2 billion every year to 3,600 communities across Canada and has supported around 4,000 projects per year.⁶⁰ Communities select how to direct the funds and can make strategic investments across 18 categories, including local roads and bridges, capacity building, broadband and connectivity, recreation and tourism. The wide range of eligible projects open the door to significant local entrepreneurship opportunities, which can be supported by making the existence of an entrepreneurship or business-development driven procurement policy an eligibility criterion for a municipality to receive Gas Tax Fund dollars. This means that when procurement takes place for any of these projects, local enterprises and start-ups can benefit.

Part of the rationale for federal leadership on this proposal is the need for guidance for small governments and agencies with less expertise in the relevant laws. Procurement in the public sector is complex, and many purchasers are reluctant to depart from traditional financial scoring methods. Federal resources can be directed to provide resources and educational material to local governments. Social procurement policies will need to be open-ended and flexible enough to account for different types of purchasing, but also crafted to ensure that procurement processes are not contrary to provincial business discrimination laws or trade agreements. Tenders, in particular, must remain open to all bidders but can have social criteria and explicit statements that a defined percentage of the bid evaluation will include the bidder’s response to those criteria.



Through this report, we have outlined six policy recommendations that aim to enhance Canada's entrepreneurial ecosystem through improvements to existing policies, programs or governance structures. These recommendations acknowledge the strong entrepreneurial culture and fiscal opportunities in Canada's entrepreneurship ecosystem, but outline new approaches that will strengthen human capital, market access, enabling policies and institutional supports for entrepreneurship and small business.

The options we submit are not specific prescriptions. They are efforts to describe workable models, based on the literature, that can be implemented quickly and efficiently by federal, provincial and territorial levels of government. They provide for various degrees of locally responsive and place-based strategic planning, self-determination, needs identification and economic prioritization as part of a cogent national strategy. We have taken particular care to reflect on the unique challenges of rural, remote, and northern communities throughout this endeavour, and how these policy permutations might better address their entrepreneurship, business sustainability and economic development needs.

The story of Canada continues to be defined by its geography, and the disparate economic assets and opportunities of 10 provinces, three territories, six time zones, and countless local jurisdictions and regions. In these pages, we have outlined a new chapter in this story that begins with our post-COVID recovery. It is one that better respects and facilitates the diverse economic needs of Canadian communities and entrepreneurs while linking those policies within the scheme of existing policy goals and government programs.

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