Can Local Actors Foster a More Inclusive and Sustainable Model of Economic Development? The Role of Business Improvement Areas in the “New” Industrial Policy

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Abstract
A growing body of evidence links differing managerial practices, specifically ones addressing environmental sustainability and the management of people, to variations in performance observed across firms and countries. Firms (and by extension jurisdictions) that invest in better environmental policies (sustainability) and that empower workers (inclusivity) tend to outperform, over the long run, those that do not. Despite the gains associated with these inclusive and sustainable management techniques, large differences in the adoption of even the most basic management practices persist. We premise this article on an institution that can lower the costs of gaining best practice knowledge and help in the successful transfer of tacit knowledge—the business improvement association (BIA). After presenting evidence of managerial best practices, we look at what BIAs are currently doing (as well as what they can do) for the small- to medium-sized, independently owned firms that constitute their membership. We go on to show that local BIA efforts, occurring as they do within large urban centres and targeting firms often neglected in national-level approaches, can do more than even ‘new’ industrial policies advocated by some policy makers to help foster a more inclusive and sustainable form of economic development.

Keywords
Social responsibility of business; Economic development; Civic improvement; Urban economics

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Can Local Actors Foster a More Inclusive and Sustainable Model of Economic Development? The Role of Business Improvement Areas in the “New” Industrial Policy*

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A growing body of evidence links differing managerial practices, specifically ones addressing environmental sustainability and the management of people, to variations in performance observed across firms and countries. Firms (and by extension jurisdictions) that invest in better environmental policies (sustainability) and that empower workers (inclusivity) tend to outperform, over the long run, those that do not. Despite the gains associated with these inclusive and sustainable management techniques, large differences in the adoption of even the most basic management practices persist. We premise this article on an institution that can lower the costs of gaining best practice knowledge and help in the successful transfer of tacit knowledge—the business improvement association (BIA). After presenting evidence of managerial best practices, we look at what BIAs are currently doing [as well as what they can do] for the small- to medium-sized, independently owned firms that constitute their membership. We go on to show that local BIA efforts, occurring as they do within large urban centres and targeting firms often neglected in national-level approaches, can do more than even ‘new’ industrial policies advocated by some policy makers to help foster a more inclusive and sustainable form of economic development.

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Un nombre croissant de données compare différentes pratiques de gestion, notamment celles axées sur la durabilité environnementale et la gestion des personnes, aux variations de rendement observées entre les entreprises ou les pays. Les entreprises (et, par extension, les pays) qui investissent dans de meilleures politiques environnementales (durabilité) et qui autonomisent leurs travailleurs (inclusion) tendent à surclasser les autres à long terme. En dépit des gains associés à ces techniques de gestion inclusives et durables, de grandes différences persistent dans l’adoption des pratiques de gestion les plus élémentaires. Dans cet article, nous nous focalisons sur une institution capable de réduire les coûts liés à l’acquisition de connaissances sur les pratiques exemplaires et de contribuer au transfert des connaissances tacites : l’association de développement commercial (ADC). Après avoir présenté des données sur les pratiques de gestion exemplaires, nous examinons ce que les ADC font actuellement (et ce qu’elles peuvent accomplir) pour les petites et moyennes entreprises indépendantes qui en sont membres. Nous montrons ensuite qu’en ciblant des entreprises souvent négligées par les approches nationales, les ADC locales œuvrant au sein de grands centres urbains peuvent s’avérer plus utiles que les « nouvelles » politiques industrielles préconisées par certains décideurs politiques pour favoriser un développement économique plus inclusif et plus durable.

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TODAY, ALMOST A DECADE ON from the great recession of 2008–2009, much of the world’s economy is still mired in tepid growth and declining real incomes for most workers. Yet, corporate profitability is approaching record highs leading to what economist William Lazonick describes as a unique era of “profits without prosperity.”1 On one side, stock markets rise and corporate profits surge with the top 0.1 per cent of income recipients reaping the lion’s share of income gains, while at the other end, good jobs vanish, wages stagnate, and income disparities

Under pressure from capital markets to increase quarterly earnings and CEO remuneration largely comprised of stock-based compensation, many large companies have little inclination (or funds) to invest in workers or innovation. As Lazonick notes, rather than investing their profits in long-term growth opportunities, the largest corporations are using retained earnings for stock repurchases that drive up short-term share prices:

Take the 449 firms in the S&P 500 that were publicly listed from 2003 through 2012. During that period, they used 54% of their earnings—a total of $2.4 trillion—to buy back their own shares. Dividends absorbed an extra 37% of their earnings.

In other words, only 9 per cent of earnings were left over to fund everything from increased pay for workers, to new products and services, to improvements in overall quality.

With the notion of a more inclusive and sustainable prosperity becoming increasingly illusory, it is little wonder that the rumble of populist backlash would erupt throughout much of the developed world. From North America to the European Union the existing neo-liberal toolkit of minimalist state intervention, trade liberalization, reduced taxes, reduced government spending, and labour and financial market deregulation is under siege.

Perhaps this is why ideas once deemed as relics of a bygone Keynesian era—such as redistributive policies and large public infrastructure investments—are once again on the table and championed (if even only rhetorically) by politicians as diverse as Canada’s liberal Prime Minister Justin Trudeau and conservative politicians such as US President Donald Trump and UK Prime Minister Teresa May. Similarly, back in vogue is the notion of an industrial policy whereby governments play a strategic role through regulation, financial incentives, and other means in encouraging innovation and in fostering the growth of key sectors of the economy. For example, in post-Brexit Britain the LSE Growth Commission, led by a high-profile panel of top business leaders and academics, has called for “an overarching plan on infrastructure, innovation and tackling shortages at all skill levels – including a focus on particular lagging groups and

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2. _Ibid_ at 46-47.
3. _Ibid_.
Similarly, the worldwide popularity of the book *The Entrepreneurial State* by Sussex University economist Mariana Mazzucato—arguing as it does that “governments should make markets, not just fix them”—reveals a public openness to a more activist public sector.\(^5\)

Another important trend, and the focal point of this article, is the growing role of city governments and other local actors in leading economic development programs. Urban regions are increasingly seen as the new engines of economic growth. This reflects major demographic shifts and changes in the economic geography of the world.\(^6\) Across the globe, city-regions with populations over one million produce more than half of the world’s economic output and nine out of every ten innovations.\(^7\) American cities account for almost 90 per cent of total US economic output and 85 per cent of US employment.\(^8\) Canada is no exception: its leading urban regions generate $17.5 billion in personal income, $910 billion in GDP, and over 74 per cent of new job creation in 2010.\(^9\)

Not surprisingly, many of the solutions to social, economic, and environmental challenges are coming from local governments, institutions, and city-based enterprises, not from upper-level or central governments.\(^10\) Initiatives like the OECD’s *Local Economic and Employment Development* (LEED) directorate and the Brookings Institution’s *Global Cities* project have, for more than a decade, documented how sub-national and local actors working together can improve the economic outcomes of urban regions and, in turn, contribute to overall national prosperity. Most obvious are strategies that promote the growth and vibrancy

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of regional business clusters by focusing on the microeconomic foundations of competitiveness and dynamism, which among other things includes building up the skills, training capacity, and managerial practices of firms.\textsuperscript{11} Structurally, this is achieved through organizations that link the main players in a cluster ecosystem, including producers, suppliers, and educators, through a common strategy and program of action.\textsuperscript{12} These types of approaches, when implemented well, can support local economic success by addressing long-standing concerns in the public economics literature: \textit{i.e.}, overcoming the underinvestment in non-rivalrous general purpose innovations that benefit everyone (the public good dilemma),\textsuperscript{13} while at the same time reducing the risks that individual actors who offer up this public knowledge will be taken advantage of by non-contributing members (the free rider problem).\textsuperscript{14}

Drawing together elements of local industrial and cluster strategy with this new more bottom-up, place-based economic development level is actually a new variation on what is by now a well-known North American institution—the Business Improvement Area (BIA). In our article we will focus on BIAs and in particular on the Duke Heights BIA located in the northwest area of Toronto, Canada. Duke Heights BIA (DHBIA) is expanding the traditional mandate of the BIA and opening up new opportunities to grow local economies and improve the long-term economic performance of small- to medium-sized independently owned firms, specifically to take on tasks normally associated with government-led industrial policy, including sectorial and cluster-based strategies (\textit{e.g.}, pushing BIAs to look beyond just streetscape improvements and consider the promotion of better managerial practices that enhance the long-term competitiveness of all

\textsuperscript{11} These are not new ideas, as alluded to they were still common wisdom up to the early 1990s and present in the works of writers at the time. See for example Michael E Porter, “New global strategies for competitive advantage” (1990) 18:3 Planning Rev 4 at 4-14.


firms in an area or sector). The Duke Heights approach attempts to achieve this through a strategic focus on long-term investments in innovation, human and physical capital, and environmental sustainability. Additionally, the article will explore the potential implications of this new BIA model in terms of policy and its viability in other settings.

I. A SHORT OVERVIEW OF THE BIA MODEL: A WORTHWHILE CANADIAN INNOVATION

In simple terms, a BIA empowers local business people, commercial property owners, and professionals in a specific geographic area to collaborate with the support of a local municipality in organizing, financing, and carrying out physical improvements and marketing of their districts. The history of the BIA goes back to the late 1960s and early 1970s, when in response to a request from a voluntary business association in Toronto’s west end the government of Ontario passed enabling legislation to create the world’s first Business Improvement Area (BIA) in Bloor West Village. The impetus for the request came from the challenges posed for the area’s businesses by the replacement of their above-ground streetcar line with a below-ground subway and a newly opened large indoor shopping mall (Yorkdale) located some distance north of the BIA. These businesses felt that a new model of collective business action was required, given that business-as-usual was not an option and bold action was needed if the area was to survive as a viable commercial centre. Although the association previously relied on voluntary contributions for its projects, the newly-created Bloor West Village BIA could depend on a steady stream of revenue from a new city levy; a levy that every business within its boundaries was required to pay. By the end of that first operating year, 1970-1971, the BIA supervised the installation of more than 100 large planters, new benches, trash receptacles, banners, lighting, newspaper dispensers, and holiday decorations. The BIA also, over a slightly longer time horizon, worked with the local public electrical company to remove utility poles from the street and bury the electrical services below grade. The basic streetscape investments that took place by the end of the BIA’s first operating year almost

15. BIAs are a unique place-based economic development approach that were a made-in-Toronto innovation, a fact sometimes missed in the literature on the BIA movement.
16. A short but valuable history of the BIA concept can be found on the Toronto Association of Business Improvement Areas (TABIA) website, online: <www.toronto-bia.com/what-is-tabia/8-history>. 
immediately improved the pedestrian experience along Bloor Street West and attracted large numbers of customers to the area.\textsuperscript{17}

According to an influential early analysis of BIA practices and their history,\textsuperscript{18} the key to all this success was the innovation of compulsory BIA membership and levy payments, which overcame the perennial free rider problem intrinsic to voluntary business associations of the past and that fostered the legislative revolution in subsequent BIA formation and impact:

In the [late] 1960s, a small group of businessmen in Toronto, Canada, invented a new approach to circumvent the free-rider problem, where ‘free riders’ were business owners in the area who benefited from the monetary and other contributions that were made by members of the voluntary business association, but who did not contribute to the association themselves. Accordingly, they explored the feasibility of an autonomous, privately managed entity with the power to impose an additional tax on commercial property owners to fund local revitalization efforts. Their success in passing the requisite legislation in 1969 represents the moment when the BID model was born. Since this time, the BID model has been adopted in eight countries, while enabling legislation is under consideration in at least eight others.\textsuperscript{19}

This same model of compulsory due or levy payment for the provision of collective goods had been long adopted in an area seemingly quite different from entrepreneurial success: namely, the trade union movement.\textsuperscript{20} Trade union members across Canada, following a series of precedent-setting decisions in the high courts, are not allowed to opt out of dues payment if they are represented by a union that bargains on their behalf\textsuperscript{21}. This stands in sharp contrast to the

\begin{footnotesize}
\begin{enumerate}
\item Rafael Gomez, Andre Isakov & Matthew Semansky, \textit{Small Business and the City: The Transformative Potential of Small Scale Entrepreneurship} (Toronto: University of Toronto Press, 2015).
\item Ibid at 947.
\item Gomez et al, \textit{supra} note 17.
\item See \textit{Lavigne v Ontario Public Service Employees Union}, [1991] 2 SCR 211, 2 OR (3d) 511. In Lavigne versus OPSEU, the Supreme Court of Canada has held that the mandatory check off of union dues does not violate the \textit{Canadian Charter of Rights and Freedoms}. Mervyn Lavigne was a teacher at a community college who was required to pay dues to OPSEU under a mandatory check-off clause, pursuant to s 53 of the \textit{Colleges Collective Bargaining Act}. Lavigne objected to some of the expenditures made by the union, such as contributions to the NDP and to disarmament campaigns. He challenged the mandatory dues check-off (also known as the Rand formula) as violating the guarantee of freedom of association under s 2(d) of the \textit{Charter}. Four judges held that there had been no violation of s 2(d), and that, in any event, any violation would be saved under s 1 of the \textit{Charter}. In the result, although three judges found a breach of the \textit{Charter}, the Court unanimously held that the
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twenty-eight states in the US that have advanced so-called “right-to-work” laws whereby workers may opt out of paying dues for collective benefits. Not surprisingly it is these states where union membership as a percentage of the workforce stands depressingly low. It is an odd contrast, therefore, that no “right-to-shop” provisions have emerged in the US allowing individual business owners to opt out of compulsory business improvement levy collections. For the sake of these bottom-up local institutions, one would hope that such an opt-out provision never does.

Typically, a BIA is responsible for such functions as beautification of the area, revitalization and maintenance of existing commercial neighbourhood infrastructure, marketing and promotion of the locality, business recruitment and retention of existing establishments where possible, and communication both internal (with fellow business owners) and external (with customers, residents, and city-government officials). But the key that makes all these BIA functions mandatory dues check off was a reasonable limit on freedom of association in a free and democratic society.

23. Ibid at 298-99.
24. Each of these areas of traditional BIA activity can be expanded upon. For example: (i) Active Beautification refers to the fact that BIAs often provide enhancements in a business area to create a more pleasant atmosphere for local businesses and neighboring residential areas. The most common way is streetscape improvement through the addition of customer-friendly lighting, signage, street furniture, planters, banners and sidewalk treatments as well as seasonal decorations; (ii) Revitalization and Maintenance means that BIAs can help to revitalize, improve and maintain physical infrastructure as well as help make an area cleaner and safer. Approaches have ranged from working towards brownfield redevelopment and building façade restoration to graffiti removal and enhanced street cleaning and garbage receptacles; (iii) Marketing and Promotion to retain and expand its customer base, a BIA may encourage both local residents and others to shop and use services within the local commercial district through marketing and promotional activities; (iv) Special Events: BIAs often organize and work with community partners to hold special events to promote and showcase their businesses. Examples include holding a street dance, music, theatre or dance festival, food fair, arts and crafts exhibition, art studio tour, fashion show, ethnic/cultural celebration and seasonal carnival or parade as well as establishing a local farmers’ market; (v) Business Recruitment: BIAs often work with commercial or industrial property owners to help ensure that available space is occupied, and that an optimum business and service mix is achieved and maintained; (vi) Communication: BIAs can act as a voice for the business community and often establish important relationships with other community voices, such as city council, municipal departments, local community groups (e.g., schools, churches, citizen groups, etc.) and institutions (e.g., chambers of commerce, committees of council, etc). The BIA forum can be used to convey community concerns to council and help prompt
possible is the compulsory levy, which is a function of a majority of business and property owners in an area having voted to set up a BIA in the first place.

A. THE MANDATORY BIA LEVY: HOW DOES IT WORK TO EFFECT POSITIVE CHANGES IN NEIGHBOURHOODS?

Because of the crucial role played by the mandatory levy, it is important to understand how it works and the effect it has on the neighbourhood. Every business member is charged a portion of the annual budget, based on that member's share of the BIA's total commercial realty assessment. Each year the BIA board, along with member input, prepares annual budget estimates that must be submitted to municipal council for approval. Once the budget is approved by municipal council, the council adds a special levy to the property tax paid by every owner of property designated (i.e., member) as industrial or commercial within the boundaries of the BIA. For each property, the amount of the levy will be related to its realty assessment. The exact amount of the BIA levy is determined by dividing the property's realty assessment by the total realty assessment in the BIA and multiplying by the total BIA annual budget.

For example, if a business's commercial realty assessment is $6,000 per year and the total commercial realty assessment of all businesses in the BIA is $2,000,000 and the BIA's annual budget is $100,000 then the individual business's BIA levy is:

\[
\left(\frac{6,000}{2,000,000}\right) \times 100,000 = 300 \text{ per property per year.}
\]

It is generally acknowledged that the BIA model—through this ability to harness business funds and reinvest them directly back into the local business area—has been a success in Canada. Toronto's Economic Development department has calculated that for every public dollar the City invests in BIAs, ten dollars in private sector funding for marketing, promotion, festivals, and neighbourhood beautification projects is generated. So, for example, in 2013, the City’s $3-million investment in BIAs resulted in $30 million in private BIA spending. Meanwhile, an in-depth study of Canadian BIAs conducted between

\[25. \text{ See the City of Toronto’s Economic Development & Culture department’s BIA webpage, online: <www1.toronto.ca/wps/portal/contentonly?vgnextoid=673032d0b6d1e310VgnVCM10000071d60f89RCRD>.}
\[26. \text{ Ibid.}
\]
2008 and 2011 observed that even at their worst (i.e., a BIA with lack of engaged members and a lack of clear focus), BIAs still generally have a positive impact on their surrounding communities.27 For example, BIAs have traditionally been found to provide a better sense of place, by providing unique and distinctive design touches that differentiate them from others in a city.28 They have also been found to promote community building by instilling a sense of pride through sponsoring activities such as street festivals and charity drives.29 BIAs also generate economic benefits such as increased foot traffic, increased revenues for local businesses, and a heightened awareness of the unique offerings available in a BIA for customers residing outside their immediate vicinity. But there are other very important contributions made by BIAs, funded through their compulsory levy payments, which go beyond just fostering greater revenues for local businesses.

B. THE ECONOMIC AND SOCIAL BENEFITS OF SMALL, INDEPENDENT, LOCALLY-BASED ACTORS

The authors of Small Business & the City: The Transformative Potential of Small-Scale Entrepreneurship30 make the case that “small, local and independent” businesses often contribute far more to the economic fortunes and social vitality of cities than we think.31 As documented in the book, small independently operated businesses generate more jobs in their community, per dollar of revenue, than large, non-locally owned firms. Businesses can often make a far more critical contribution to the economic fortunes and social vitality of cities than we often think. They do so by establishing critical neighbourhood level infrastructure (broadly defined) that enables social-economic connections to take place.

The book looked at this business contribution from both an academic and personal perspective, reaching out to small business owners, BIAs and community members to find out how local entrepreneurship and urban life were inextricably interwoven in three Canadian cities: Toronto, Vancouver, and Halifax. What emerged was that small, local, independently owned businesses collectively form

27. Gomez et al, supra note 17.
29. Ibid.
31. By small we mean physically fitting in within denser urban environments; by local we mean being close and accessible for neighbourhood residents; and by independent we meant having the autonomy to make decisions at the shop level and the freedom to experiment far from the constraints of a large corporate entity.
a strong socio-economic foundation for successful neighbourhoods and cities, one that is more durable than the “footloose” scaffolding provided by the presence of larger global corporations. As documented in the book, small independently operated businesses generate more jobs in their community, per dollar of revenue, than large, non-locally owned firms. This is just one of the many benefits cities reap from having a smaller but more diversified business sector.

The other economic benefits of distributing jobs and financial risk among a diverse group of smaller locally owned companies include greater resistance to global economic shocks, faster employment growth, and higher per capita income growth. The social benefits of “small, independent and local,” while more difficult to assess numerically, are evident in the stories the authors of Small Business and the City heard when they ventured out onto urban main streets and spoke to the local business community. In research cited in the book the authors came across:

I. Small businesses working collectively, via BIAs, to put on cultural events and organize street beautification initiatives;

II. A social worker, employed by local small businesses, with a mandate to assist street-involved individuals in finding shelter and employment;

III. A clothing store owner who makes personal phone calls to loyal customers to let them know about new items;

IV. Locally based businesses partnering, through neighbourhood BIAs, with government on sustainability initiatives such as green space and bicycle transportation, and

V. Countless newcomers and immigrants whose businesses helped to create a recognizable neighborhood identity.

It is not surprising that the positive effects of small business ripple through local economies and social structures much more quickly and effectively than larger, farther-removed entities. Smaller businesses have to work harder to attract customers, so they are more likely to develop unique products and services and bring a personal touch to their work. Local ownership almost always means a strong connection to a neighbourhood, city or region, which brings with it a desire to contribute to the surrounding social fabric. Independence means that local employers do not yank jobs away at the slightest hint of an inter-jurisdictional cost advantage determined from a corporate head office based thousands of miles away. It also ensures another hard thing to quantify: uniqueness—a key selling

32. Gomez et al, supra note 17.
33. Ibid.
point in any tourist destination. Small businesses also tend to shape public spaces in ways that better encourage human scale design, lively street life, and more vibrant urban spaces—all of which positively contribute to ecological sustainability and innovative connections that drive today’s creative and circular urban economy.

The flipside is also true in that cities can help independent local actors succeed such as when city design and planning foster a vibrant, small, independent, and local business culture by preserving the small commercial and retail spaces (i.e., less than two thousand square feet) that allow for this “small mass flourishing” to occur. On the other hand, city zoning laws that permit too low a density of development and allow for the construction (almost anywhere) of large, windswept power centre developments will inevitably shut the door on small, local, independent enterprise.

From a policymaking standpoint, these positive placemaking and social outcomes should not be minimized. In the aggregate, they contribute in very real ways to making a city a more attractive place to live and invest. A large part of the success of the BIA movement lies in its grassroots approach to local issues, which is often the antithesis of big bureaucracy (public or private). Viewed from this perspective, governments’ relatively modest investments in BIAs, at all levels, can reap significant dividends in generating both economic and social capital.

That said, there are also some shortcomings with the BIA model. For example, BIA benefits can be highly uneven in that some owners benefit disproportionately more than others. Large anchor participants, who often also own a majority of the buildings within a designated BIA area, can use this power to skew local investments towards outcomes that serve their interests. They can also jack up rents once increases in foot traffic follow from otherwise successful independent BIA activity. In other words, larger corporate owners can benefit more than smaller entrepreneurs, and yet large anchor enterprises (with well-known brands that attract customers) are at the same time crucial for the viability of many nearby small businesses.

34. See Edmund S Phelps, Mass flourishing: How grassroots innovation created jobs, challenge, and change (Princeton: Princeton University Press, 2013). In this book Phelps, a Nobel Prize winning economist, argues that bottom-up creativity wins out over top-down corporatist planning. While not exactly aligned with the entire thesis of this article—Phelps has a palpable dislike for centralised business or government solutions—his idea that economic growth is the by-product of small-scale local creativity matches what we see in the example of BIAs and in the emerging story of Duke Heights.
This latter observation is consistent with a well-known proposition by Mancur Olson known commonly as the logic of collective action, which states that whenever a market failure leaves room for a collective response, the presence of a well-organized collation of interests—one that is neither too small and under-resourced or too large and unwieldy—is most likely to succeed in promoting collective action (in this case to agree to ‘voluntarily’ tax yourself). BIAs, by dint of their size (not too big and not too small) and structure (not allowing for any free riding), strongly encourage all members to participate in the BIA process.

C. OTHER PLACE-BASED ECONOMIC APPROACHES

Of course, BIAs are not the only manifestation of local place-based economic development. For cities facing the challenges of uneven economic performance and poor labour market outcomes, locally focused approaches like “Urban Regeneration Companies,” “Enterprise Zones,” and “Innovation Districts” can be effective vehicles for the revitalization of declining neighbourhoods and business areas. Typically, these are partnerships between public, private and non-profit sectors designed to deliver redevelopment (e.g., housing, commercial, industrial) in close partnership with communities. When most successful, they can help kick-start development that might otherwise stall by removing financial, regulatory, environmental, and infrastructure-related barriers. Among the most prominent and large-scale examples of this approach is Waterfront Toronto, an independent agency created by the governments of Canada and Ontario, and the City of Toronto in November 2001. The agency was tasked with transforming over eight hundred hectares of derelict brownfield land into sustainable mixed-use communities.

Although the DHBIA, as we shall discuss later, is unique due to its size, industrial character, and blending of the traditional BIA mandate with elements of cluster-based strategies, it does share some parallels with some of the examples noted above. This enterprise zone model, usually under the guidance of a hybrid

public-private agency, effectively draws on an existing industrial base as well as on anchor institutions such as universities and hospitals to encourage strategic public and private investments. These investments form part of a network that supports the local start-up and innovation ecosystem through cluster strategies, research and development (R&D) facilities, incubator spaces, and flexible zoning policies that facilitate rapid adaptation to changing technologies. The following are some interesting case studies from Canada, the US, and Europe that share some similarities to the DHBIA.

1. **KITCHENER INNOVATION DISTRICT, ONTARIO, CANADA**

The City of Kitchener and its partners pursued an asset-based approach, known as the Kitchener’s “Corporate Asset Management Strategy,”39 in which they invested in the development of downtown Kitchener. This process was organized by the City and its BIA programs, services and resources to stimulate investment and attract industry. The Innovation District (formerly the Warehouse District) is one of four downtown Districts. It features large former industrial buildings (some historic) that are being converted into office and residential. The District was master planned, including an overall brand and marketing strategy, a master streetscaping plan, long term plan for vacant lands, and development of a multi-modal transit station. The Innovation District builds on current and planned investment in transportation, including 22 stations along 35 kilometres which will connect Waterloo, Kitchener, and Cambridge. The District forms part of the City of Kitchener’s Innovation Cluster Strategy, aimed at sustaining a strong economic presence in the region. A key success of the district includes attracting major firms like Google, various small and larger companies, and existing institutions like universities to locate in both refurbished new buildings.

2. **SOUTH LAKE UNION AREA, SEATTLE, WASHINGTON, USA**

The South Lake Innovation District is the transformation of an older manufacturing area within Seattle.40 It was supported by key investments from a private developer which were crucial in attracting industry. The Innovation District has pursued relationships with civic and institutional partners such as universities to support their mandate. It supports the growth of innovative

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industries in South Lake Union including biotechnology, information technology, environmental sciences and technology, and sustainable building. This has been coupled with investments in public realm, civic amenities, and retail amenities. The District also seeks to foster collaborative and creative community engagement with arts and culture, human services, and education, as well as neighborhood businesses and other organizations. Investment has energized the area by spurring millions of square feet of new development, creating hundreds of employment opportunities and attracting thousands of retail visitors.

3. **22@ BARCELONA – EL DISTRICTE DE LA INNOVACIO, BARCELONA, SPAIN**

Municipal Company 22@Barcelona was created in 2000 and transformed a dilapidated industrial area into a bustling knowledge center. Although public money has been invested in the District, most funding has come from private sector. Four knowledge-intensive clusters were established: Information and Computer Technology (ICT); Media, Bio-Medical; Energy; and Design. Each cluster has companies, institutions, shared spaces, universities, technological centres, incubators, and networking groups. 22@Barcelona fosters social interactions through the professional spaces designated in the districts—66 member companies belong to networking groups. The area is home to 10 universities and over 25,000 students. Internationally, it is seen as one of the most successful innovation districts in the world, in terms of job creation, start-ups, new infrastructure development, and the attraction of major firms like Oracle and Dolby Labs.

4. **LOCAL WORKFORCE INVESTMENT BOARDS (LWIBS), USA**

There is a whole set of examples like the ones above that come from one innovative and nation-wide public program in the United States known under the banner of Local Workforce Investment Boards (LWIBs). The LWIB system is an outcome of the federal Workforce Investment Act (WIA), passed in 1998 during the latter years of the Clinton presidency. LWIBs are rooted at the local level across the country. The WIA, which is a partnership among US federal, state, and local

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governments, by statute establishes the structure through which most federally funded employment and training services are delivered. The US Department of Labor provides the funding dollars and sets regulations and guidelines in the use of these funds. Each state then develops a strategic plan that determines how these funds are to be used and then passes most of the federal dollars to local workforce investment areas (LWIAs). Each LWIA, through its own local board, develops a strategic plan that comports with the state and federal plans and regulations. States may request waivers from federal regulations if relaxing certain rules is seen as enhancing a state's ability to meet the needs of its job seekers and employers.

Several features of the workforce system under the WIA are particularly salient in our comparison with the Duke Heights BIA and BIAs generally, especially in the way that the WIA accommodates and encourages collaboration among local organizations. The first salient feature is the establishment of these aforementioned LWIAs. Nearly six hundred LWIAs across the country provide training and reemployment services to job seekers and recruitment services to businesses. In most cases, the LWIAs encompass local labor markets so that they can respond to the specific needs and circumstances of job seekers and employers in that area. This approach is consistent with the BIA locus and focus at the local level and stands in contrast to a less customized, more one-size-fits-all approach that would occur if decision making took place solely at higher levels of government.

The second feature that shares many similarities with the BIA model and in particular the proposed DHBIA approach is that the LWIAs use the WIA funding to subcontract with local organizations to provide employment and training services, which are provided through one-stop service centers referred to as American Job Centers. In the City of Toronto we have referred to similar entities as Employment and Social Service Hubs. The LWIBs are responsible for establishing and maintaining the Centers. This arrangement of subcontracting and integration of services within the job centres gives LWIBs the structure and incentive to collaborate with other organizations.

The third characteristic of the WIA that is similar to the BIA approach is the governance of the LWIAs. Each LWIA is governed by a board, which is representative of key stakeholders in the region, including businesses, unions, and economic development and educational leaders. This structure provides an effective mechanism for strengthening employer involvement as local business

43. Ibid.
representatives are required by legislation to make up at least 50 per cent of the board membership. It also provides a forum for collaboration among organizations represented on the board.

A final characteristic, as noted by recent OECD evaluations of the LWIBs, is that a key to their success in skills training and eventual employment has been the link between training providers and the needs of employers in the local area. In all successful LWIB outcomes, businesses were partners in hosting or formulating the training. This is crucial to the goals of the Duke Heights BIA example in section II. The local workforce investment board approach is a successful model in the United States because of the lack of any other mediating institutions (e.g., employer associations of any strength) in place in what is otherwise a highly decentralized structure for providing public workforce policy. This is another similarity with the Canadian experience and one that we return to briefly in section III of the article.

II. THE DUKE HEIGHTS MODEL OF THE “INDUSTRIAL/EMPLOYMENT BIA”

This section sets out the local context and describes the activities taken by the DHBIA to initiate an industrial-based BIA strategy focused on employment generation and human capital upskilling. It first describes the regional context under which the DHBIA was incorporated, highlighting the competitiveness problems identified by various levels of government and other business-led agencies. It then outlines the local geographic context for the area, along with the planning framework within which the DHBIA inhabits and the challenges and opportunities both of these elements create. Further, there is a discussion about the work of the DHBIA in countering some of the regional issues highlighted and its response to local challenges. Lastly, it concludes with some cautionary notes about the barriers faced by the DHBIA in its path towards developing a cohesive employment strategy.

Most BIAs around the globe could be categorized as business districts defined by a tightly bound main-street retail strip with restaurants, grocery stores, clothing retailers, and some professional services including bank branches. Usually, the business members range from one hundred to just over three hundred (these are

45. Ibid.
46. Most of the figures quoted for the DHBIA in this section come from the organization’s internal documentation as well as a study commissioned by the DHBIA and produced by the consultancy IBI Group.
averages for the city of Toronto). Along such strips it is not uncommon to have 
residential buildings and accommodation adjacent to or above many businesses.

Launched in 2014, the DHBIA differentiates itself from the traditional BIA 
model on several levels (see Figure 1). One is its scale—it has 2,534 businesses 
(according to the most recent survey), is the second largest BIA by surface area 
in Canada, has a large established employment base of over thirty-two thousand 
employees (2.2 per cent of all jobs in the City of Toronto), attracts thirty-four 
thousand daily trips on a regular workday, and covers about 1.8 per cent of the 
surface area of the city. A second distinguishing feature of the DHBIA is the 
fact that it is almost exclusively within employment-zoned lands devoid of almost 
any residential buildings. Third is the composition of its member establishments, 
which unlike a great majority of BIAs includes 382 manufacturing organizations. 
These firms make up 15.2 per cent of all establishments in the BIA, the fourth 
largest category behind office, service, and retail. And although the employment 
sector with the highest number of jobs is “Office,” manufacturing is the second 
largest employer in the BIA, comprising 27.5 per cent of all jobs. The DHBIA 
contains a significant proportion of Toronto’s manufacturing employment (7.24 
per cent). While manufacturing employment continued to shrink between 2011 
and 2014 in the City of Toronto Employment Districts, the DHBIA experienced 
modest gains (1.44 per cent), with subsequent investments in large plants in the 
area pointing to continued growth. Notable as well is the diversity of business 
types within these broader establishment categories, including firms with a high 
knowledge-based component and in business clusters exporting to regional, 
national, and international markets. Again, this contrasts with the typical BIA 
which supports businesses like restaurants and grocery stores in locally trading 
clusters selling goods and services within the Toronto area. A recent study 
commissioned by the DHBIA and the City of Toronto through the consultant 
IBI Group identified existing business types within these desirable high-value and 
future facing regional clusters and with a solid potential for growth. The study 
pointed out the variety of sectors within the DHBIA that have above average 
growth potential. These are highlighted below in Table 1.

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48. Ibid.
49. Ibid.
50. Ibid.
51. Ibid.
52. Ibid.
TABLE I: INDUSTRY CLUSTERS TARGETED BY DHBIA FOR FUTURE GROWTH

<table>
<thead>
<tr>
<th>Industry Cluster</th>
</tr>
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<tbody>
<tr>
<td>Advanced Manufacturing</td>
</tr>
<tr>
<td>Food &amp; Clothing Manufacturing</td>
</tr>
<tr>
<td>Wood, Paper, Chemicals &amp; Plastics Manufacturing</td>
</tr>
<tr>
<td>Equipment &amp; Product Manufacturing</td>
</tr>
<tr>
<td>Management, Scientific and Technical Consulting Services</td>
</tr>
<tr>
<td>Scientific Research and Development Services</td>
</tr>
<tr>
<td>Health Care</td>
</tr>
<tr>
<td>Health Care and Social Assistance</td>
</tr>
<tr>
<td>Professional Services</td>
</tr>
<tr>
<td>Information and Cultural Industries</td>
</tr>
<tr>
<td>Finance and Insurance</td>
</tr>
<tr>
<td>Professional, Scientific and Technical Services</td>
</tr>
</tbody>
</table>

A. THE CITY OF TORONTO AND THE DHBIA’S COMPETITIVENESS CHALLENGES

Before delving into key aspects of the DHBIA’s business strategy, it is useful to place the Duke Heights area in the context of Toronto’s regional economy. Although located within the City of Toronto’s municipal boundaries, the DHBIA is integrated into a broader region often referred to as the Greater Toronto and Hamilton Area (GTHA). The GTHA is a contiguous urban and economic region with a population of just under seven million people and containing some of the largest cities in Canada such as Toronto, Hamilton, and Mississauga. At one time the DHBIA was located on the periphery of the region with little or no public transit in a car-access only environment. However, as the surrounding municipalities have built out, the DHBIA is no longer located in Toronto’s urban periphery, but is centrally located within the regional economy of the GTHA.

In terms of regional competitiveness, the GTHA has enviable strengths in such areas as labour force skills, livability, diversity, post-secondary educational institutions, and industry clusters. The region is a national leader by employment size in many important industries, including business services, financial services,

53. Ibid.
54. See Toronto Region Board of Trade, “Toward a Toronto Region Economic Strategy” (Toronto: Toronto Region Board of Trade, Institute for Competiveness and Prosperity, 2014), online: <www.bot.com/portals/0/unsecure/Advocacy/2014_TRBOT_ICPPaper.pdf>.
publishing, automotive, food processing, and education and knowledge production. It has a large and diverse labour force, with nearly three-quarters of its population of working age and approximately half of its population born outside Canada.\textsuperscript{55} The GTHA region produces almost half of the province’s and 20 per cent of the country’s economic output, respectively.\textsuperscript{56} And in terms of livability, the GTHA region is at or near the top of international rankings like *The Economist’s* “Most Livable Cities in the World” across such dimensions as public safety, health and well-being, quality of educational institutions, tolerance, culture, and entertainment.\textsuperscript{57}

Despite these numerous advantages, Toronto surprisingly still trails many other regions on key measures of economic performance. Between 2000 and 2010 (the latest decade for which data are available) the region’s productivity, defined as GDP per worker, declined by a worrying 6 per cent in real terms.\textsuperscript{58} These figures put Toronto in last place out of twelve North American peer city regions (*i.e.*, Montreal, Vancouver, and Calgary in Canada, and New York, Los Angeles, Chicago, Boston, Seattle, San Francisco, Dallas, and Atlanta in the United States).\textsuperscript{59} Further, the GTHA’s labour market performance has been less than stellar over the past decade and especially after the Great Recession. A recent report from the Conference Board of Canada highlights that when compared to peer regions in Canada and the United States, Toronto possesses relatively high rates of unemployment and underemployment.\textsuperscript{60}

According to an independent task force commissioned by the provincial government, the reasons for these employment and productivity gaps include weak specialized supports for the promotion and commercialization of R&D, lack of innovative business strategies, underinvestment by business in physical and human capital, less competitive pressures (due in some cases to the shielding of certain industries from foreign competition), and frayed public infrastructure, particularly transportation.\textsuperscript{61} From the perspective of the DHBIA, this regional context poses both challenges and opportunities. The DHBIA is in what is often

\begin{flushleft}
55. *Ibid.*
61. See generally Ontario Task Force on Prosperity Annual Reports 2002-2016, online: <www.competeprosper.ca/work/annual_reports>.
\end{flushleft}
referred to as a “Built-Out Urban” area. These areas tend to be in older industrial districts, often outside downtowns, typically with a low-density built form. They often lag other business districts in terms of investment and face a number of structural barriers to growth, such as lack of access to transit and under-serviced utilities. Nonetheless, significant business development opportunities exist for a city like Toronto because commercial downtown rents are so high. But to exploit these opportunities and ensure the area’s continued vibrancy, the DHBIA needs to address locally the same concerns identified at the regional level, which include investing in transportation infrastructure as a means of improving access for people and goods moving to and from the DHBIA. Improvements on this dimension alone would encourage more innovative and sustainable business approaches and facilitate the leveraging of growth from existing business clusters through better linkages with major institutional players like nearby universities, colleges, and hospitals. It is precisely on this front where the DHBIA is demonstrating the possibility of a new pathway for growth and development, a new industrial strategy for the twenty-first century built around local needs and utilizing local knowledge.

B. FROM CONCEPT TO PLANNING: THE NEW INDUSTRIAL/EMPLOYMENT BIA MODEL

The DHBIA was formed as a direct result of public transit investments, both upcoming and current. These investments include the new Toronto-York Spadina Subway Extension (TYSSE), a GO Transit Station, and a Light Rail Transit (LRT) line on Finch Avenue. The TYSSE and Go Transit stations are scheduled for completion at the end of 2017 and the LRT will start construction in 2018. It will stretch from the intersection of Keele Street and Finch Avenue to Humber College in the west end of the City of Toronto. Importantly, the prospect of investment opportunities created by new transit options opened enough local business people to the possible benefits of a local BIA. This was significant because the process of starting a BIA of this size was much more difficult than a smaller, more typical BIA. For example, surveying an area for interest in a retail zone that is six blocks long, a typical landform for a downtown BIA, would be much easier than surveying the seven hundred hectares of mixed land use in the DHBIA. The former would take days, the latter weeks or months. These logistical elements were compounded by the fact that the area did not fit the regular BIA district model, which created numerous administrative impediments for City of Toronto officials to get the project off the ground.
There was, however, enough of an incentive to go forward in that ten local businesses stepped forward and pushed through the two-year process to get the DHBIA incorporated. These first-movers clearly saw the potential to create a catalyst for growth in the area with long term benefits. Crucially, they all understood that once the BIA was incorporated, funding could be secured due to the lack of opt-out clauses for individual businesses. This was critical for the early period of organizing given that long-term planning and investment could be undertaken with the certainty of membership revenue streams and matching funds in place. The BIA was thus envisioned as a progressive investment tool for growth, with growth soon becoming synonymous with employment in the proponents’ planning. As well, not lost on the early participating businesses was that the existing investment environment in the DHBIA was not comparable to other booming areas of the city. The formation of the BIA was viewed as a vehicle to change this.

Another factor aiding in the creation of the DHBIA was the area’s zoning regime. The zoning within the BIA was (and is) almost entirely set aside for commercial, office, and industrial use, with very limited space for residential zoning. Thus, for property owners, the most viable prospect for long-term growth in the district was to intensify the employment uses in the area, which would in turn increase property prices and rents. In this context, it is worth noting that the City of Toronto has seen an unprecedented increase in the number of residential building permits issued and housing developments in the last decade. In part, this is the result of a legislative framework established by the provincial government for the GTHA region that is designed to prevent urban sprawl from spilling out into surrounding agricultural and environmentally sensitive areas (i.e., the so-called Greenbelt law). This framework, along with the development pressures in the downtown core, are increasing the value of land within the inner suburbs of the City of Toronto and potentially affecting growth patterns in the DHBIA. Of concern to many community members, businesses and elected officials across the City, is the loss of industrial lands (and commensurate jobs) as business owners respond to these market factors (i.e., rising property values) through proposals to convert employment lands into mixed-use or residential-only lands and then cash-in on the sale of these properties.

As previously mentioned, the DHBIA sits almost entirely on employment lands, a designation in the City of Toronto that prevents land uses such as housing or even commercial retail (see shaded area highlighted in box A in Figure 1). This framework is in place to protect industrial employment in the City of Toronto, but it has also had the effect of depressing investment in the DHBIA (especially
in residential construction). Like most employment land districts in the City of Toronto, the DHBIA has over the past ten years generated employment at a slower rate than the average for the City of Toronto. How to reverse the slow employment growth in the area thus became one of the main objectives for the DHBIA’s new Board of Directors. This led to a formal study of the problem with a specific question posed: how does the DHBIA create greater local investment and more, better quality jobs?

**FIGURE 1. ZONING OF DHBIA AND SURROUNDING AREA**

Source: Duke Heights BIA

**C. THE TRADITIONAL ROLES OF A BIA IN THE DHBIA CONTEXT**

The DHBIA includes elements that could be described as the ‘bread and butter’ of BIAs and an emerging employment strategy component that focuses on the microeconomic drivers of competitiveness. This is evident in its vision statement and mandate. The vision statement declares that:

The Duke Heights BIA will leverage its strategic location both at the gateway to the City of Toronto and at the center of the regional economy, along with proximity

62. See Toronto, Toronto City Planning Division, “Toronto Employment Survey 2015,” online: <www1.toronto.ca/wps/portal/contentonly?vgnextoid=c7ac186e20ee0410VgnVCM1000071d60f89RCRD>.
to world class academic and government institutions, high order transit and a supportive business network to foster development in advanced manufacturing, health care, research and development and professional services.63

The DHBIA’s mandate, in turn, is “[t]o improve the business area for the benefit of our members; [t]o become a centre for commerce and a hub of activity for the region; [t]o improve the infrastructure and security, cleanliness and public realm of the area—e.g., roads, sidewalks, etc.; [and t]o advocate—planning/urban design, construction and public works.”

In its two years of existence, it has initiated and delivered successfully on the core functions of BIAs outlined earlier and that businesses expect in return for paying their mandatory levy. This includes securing and implementing major investments in streetscaping and local infrastructure,64 developing a public realm plan to improve the feel and look of the area;65 assessing the needs of local businesses through ongoing consultations;66 acting as effective and communicator and advocate for local businesses with all levels of government;67 introducing a series of programs called DUKE to promote local businesses to the wider community,68 developing common local policy positions on issues of importance to local businesses,69 and developing and implementing a local security plan that includes nightly private security patrols.70

63. See IBI Group, supra note 47 at 64.
64. E.g., hundreds of trees were planted in 2016 and close to one thousand five hundred will be planted by the City of Toronto in 2017.
65. E.g., the City of Toronto hired a consultant, The Public Partnership, to develop a plan to enhance the public realm by greening and beautifying the area, which will be implemented beginning in 2017.
66. E.g., the DHBIA’s size presents logistical problems for consulting individual businesses, so the strategy has been to target sector industries and to compliment this work with once a year surveys that require four to six going door-to-door for six to eight weeks.
67. E.g., one of the major findings of the door-to-door surveys was a significant deficiency in the local electrical grid. After conversations with the local power utility, over $15.2 million in local improvement capital projects were approved for 2017 and more beyond.
68. E.g., DUKE News, DUKE Talks and DUKE perks are the names for some of programs that communicate important information through email and newsprint, allow for networking opportunities with industry sectors provide local businesses with deals on services and products brokered for the area by the BIA.
69. E.g., as the new subway opens, the local bus routes will be altered, which could conceivably reduce the local bus service feeding into the system. The DHBIA hired the Pembina Institute, a not-for-profit widely known in the country for their work on transit, to develop a needs assessment in the area in order to work with the municipality to improve the local service provision when the new subway stations cause a change in the system.
70. E.g., hired a security company that provides patrols in the area, 7 nights a week, as well as some daylight services during the workweek and on weekends.
D. A BIA-LED INDUSTRIAL/EMPLOYMENT STRATEGY AND BARRIERS TO ITS SUCCESS

In 2016, the DHBIA expanded beyond the traditional BIA role and started to develop an industrial and cluster strategy in partnership with the local government, marrying elements of both top-down and bottom-up economic planning. The strategy delineates clear roles and responsibilities for government and the local BIA that support the long-term objectives of both parties. For the City of Toronto and senior levels of government such a partnership backs objectives like promoting the retention and growth of existing businesses and employment, driving innovation and productivity gains, and maximizing the economic returns of major infrastructure developments. In the case of the BIA, it provides a means by which businesses can spread the risks of investing in strategies that can improve competitiveness for all members, including systematic business strategy development, investment in sustainability, and workforce development initiatives.

The DHBIA’s strategic journey started with two major questions: (1) what type of employment growth should the BIA target?; and (2) where should this employment grow? An independent external consultant was retained to create an economic development study to answer these questions. Out of this process emerged a multi-year action-plan in 2016 with deliverables assigned for the City of Toronto and the DHBIA, some of which are highlighted in Table II.

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71. The three phases are described as follows. Phase 1—Strength, Weakness, Opportunity, Threat (SWOT) Analysis this section reviewed the built, policy employment environment and market environments, including a cluster analysis comparing the BIA to other Employment Areas in Toronto and the Region to find areas of competitive advantage and opportunity. This was accompanied by a pro forma looking at the financial feasibility of development opportunities. Phase 2—Employment Vision for the BIA Translating the SWOT into Visions & Objectives supported by Case Studies across Ontario and Internationally. Phase 3—Policy Recommendations Finalization of the Vision and Objectives, and creating strategic initiatives to implement the Vision and best practices reflecting conversations with Economic Development.
TABLE II: DHBIA PROJECT VISION DELIVERABLES

<table>
<thead>
<tr>
<th>City of Toronto</th>
<th>DHBIA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Review existing development incentives (e.g., building modernization</td>
<td>Establish industry clusters—develop and brand five clusters: food;</td>
</tr>
<tr>
<td>grants) to ensure applicability for DHBIA</td>
<td>pharmaceutical; furniture; medical; and professional services</td>
</tr>
<tr>
<td>Enhance the public realm</td>
<td>Attract and leverage anchor tenants</td>
</tr>
<tr>
<td>Improve fibre-optic network and Hydro reliability</td>
<td>Leverage large institutions, e.g., colleges, universities, and</td>
</tr>
<tr>
<td>Review current employment land use permissions to maximize</td>
<td>hospitals, to support DHBIA initiatives</td>
</tr>
<tr>
<td>employment growth</td>
<td></td>
</tr>
<tr>
<td>Implement transportation strategy to improve access</td>
<td>Develop private sector champions—encourage BIA members to support</td>
</tr>
<tr>
<td>Establish a physical hub offering opportunities for networking and</td>
<td>the BIA through presence at and facilitation of networking events in</td>
</tr>
<tr>
<td>small business incubation</td>
<td>the BIA and Region</td>
</tr>
<tr>
<td>Provide access to funding and grants—e.g., seed funding grants for</td>
<td>Host networking functions—establish an outreach committee to work</td>
</tr>
<tr>
<td>SMEs</td>
<td>with Economic Development Toronto on organizing breakfast meetings,</td>
</tr>
<tr>
<td>Establish framework for performance reporting (e.g., job creation,</td>
<td>classes, social events and information sessions</td>
</tr>
<tr>
<td>tenant attraction/retention)</td>
<td></td>
</tr>
<tr>
<td>Review BIA policies to ensure applicability to industry-oriented</td>
<td>Establish a shovel-ready land and real estate inventory—an easily</td>
</tr>
<tr>
<td>BIAs</td>
<td>accessible database of real estate information for the area including</td>
</tr>
<tr>
<td></td>
<td>listings for land, vacant space off-market opportunities and contacts.</td>
</tr>
</tbody>
</table>


Although there have been some early successes in the development of a local industrial and employment strategy for the BIA, some elements have made the process difficult and uneven. Two barriers to the success of the DHBIA model stand out in particular. First, as noted earlier, collective action has uneven benefits, but collective participation can come with its own drawbacks and can also be uneven, as is the case of the DHBIA. It should be noted that collective participation can also be uneven, as is the case of the DHBIA. The area surrounding the DHBIA has some of the lowest levels of civic participation in Toronto and the province. This affects the ability of the BIA to communicate with local businesses and the individuals within those businesses. The lack of a participatory culture in the wider area negatively impacts the capacity of the
organization to put together joint actions on a wide range of issues, including a collective employment-sector strategy. Although large corporate interests have lobbying structures in place to serve their specific interests, most small businesses have little access to the mechanisms of civic advocacy. They often therefore fail to get the supports they need and struggle to define their issues when approached by the DHBIA. They can also be distrustful of interactions with any government body, which by extension (in their minds) includes the DHBIA. This distrust makes communication and engagement difficult.

Secondly, the existing employment service sector in Ontario has been largely tilted to the supply rather than the demand side of the employment equation (e.g., unemployed workers instead of potential jobs). Few service providers are currently equipped to deal with the challenges created by a process driven by demand (i.e., employers). This is no small matter. The reaction of possible partners to the development of an Employment Hub has generally been enthusiastic, but the public funding structures of the existing system are fairly rigid and create considerable logistical problems that are by no means small hurdles. While the provision of employer-focused and sector-based employment services is currently being piloted by the Province of Ontario in three locations, it is still a miniscule part of their total investment in employment services.

III. DISCUSSION AND CONCLUDING OBSERVATIONS

A. WHY THE NEED FOR A LOCALLY-DRIVEN BIA INDUSTRIAL STRATEGY?

As its vision statement and mandate imply, the DHBIA has aspirations that go beyond those of your archetypical BIA. Indeed, it aims to “foster development in advanced manufacturing, health care, research and development and professional services,” an aspiration that strays into the realm of industrial policy and broader economic development.72 In one sense, this is a clear logical progression for the BIA model of locally-based economic decision making. The long-term viability of an industrial BIA will be determined by the success of its firms to compete and trade in national and international markets. Simply put, if the BIA’s firms cannot compete in such markets, eventually they close up shop or move to other locations, which is a story too often seen in many of the rust-belts that dot North America and the rest of the industrialized world. Moreover, as the success of famous industry clusters shows—from Wall Street to Silicon Valley to Bavaria’s automotive cluster—success breeds success as the locational decisions of

72. IBI Group, supra note 47.
second-mover firms, investors, and entrepreneurs are guided by the strength and depth of existing first-mover cluster participants.  

Of course, a question remains: Why should a BIA take on these kinds of roles, are there not existing clusters or business organizations that work with government partners on these projects? The short answer, at least in the context of Toronto and Canada, is not really. As numerous studies by independent think tanks and business organizations highlight, the Toronto region and Canada more generally have a highly decentralized and fragmented economic and business development environment, with many public and private sector players often working at cross purposes in areas like innovation, sector and labour market development, and attraction of trade and foreign investment. For independent businesses, especially small- to medium-sized ones, trying to access and navigate this Byzantine system in search of supports can be challenging to say the least.

Unlike jurisdictions with a strong history of regional employer associations (e.g., Germany), there is no easily accessible mechanism for small and medium sized firms in Canada to acquire business supports or any channel by which to disseminate and implement managerial and workplace best practices. Absent from this patchwork of supports and policies is literally a place (both virtual and real) where independent firms can address the challenges they face in implementing managerial changes that can improve performance but have a medium- to

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74. Recently, the provincial government of Ontario, Canada, passed legislation and developed a program of supports for regional business clusters including Toronto. As well, key actors in Toronto’s human health sciences cluster launched in 2015, a program called TO Health, an initiative which seeks to grow and strengthen this sector and make it a top global player in this sector. It is still too early to assess the impact of these initiatives.  
75. See Toronto Region Board of Trade, supra note 54.  
76. There have been many writings on the German industrial relations system. For some of the more recent and best see Wolfgang Streeck, Re-forming capitalism: institutional change in the German political economy (Oxford: Oxford University Press, 2009); David Marsden, “The future of the German industrial relations model” (2015) 48:2 J Labour Market Res 169 at 169-87; Stephen J Silva, Holding the Shop Together: German Industrial Relations in the Postwar Era (Ithaca: Cornell ILR Press, 2013).
long-term payback and hence (all things being equal) a higher cost of gaining best practice knowledge and a lower chance of successful implementation.\(^{77}\)

In such a decentralized and patchwork environment for Canadian SMEs, one institution that can perhaps lower these costs and help in the successful transfer of tacit knowledge is the business improvement association. The business improvement association operates at a highly local level and is really the only institution to which small- to mid-sized, independently owned firms have direct access when dealing with their competitiveness challenges. The question is how resilient and applicable is this BIA model to the kind of goals Duke Heights is trying to achieve?

**B. IS THE INDUSTRIAL/EMPLOYMENT BIA A TRANSFERABLE MODEL?**

As policymakers struggle to deal with ways of encouraging local economic development and microeconomic competitiveness, the notion of an industrial BIA aimed at improving labour market outcomes for local firms and workers merits consideration. It brings together components of effective economic and cluster development strategies, specifically those that build upon and reinforce existing sectoral centers of excellence, leverage smart taxation policies, and facilitate highly targeted public and private sector investments in human capital, critical infrastructure, and R&D. Clear examples of this approach are

:\(^{77}\) Let's stick with the case of Germany and describe briefly the role of the *Bavarian Industry Association* (one of several state-level industry associations in the country). It has a central location in Bavaria's capital city of Munich with regional offices scattered throughout the state available throughout the year to help their business members. It is a voluntary, cross-industrial, interest group of Bavarian industry. It represents the interests of Bavarian employers and provides support to members over a comprehensive range of services. It also has crucial counterparties on the worker side (e.g., trade unions) that represent workers in various industries as well. The *Bavarian Industry Association* is the ‘peak’ industry association in Bavaria and as such has as members other smaller more industry-specific associations, of which 132 are members. This would include for example an industry sector such as food processors, which is an industry made up of small to medium sized operations in Germany. It also has individual firms as members, but these tend to large operators such as the manufacturer BMW or Audi, and there are 40 of these individual firm members. In the words of the association, it acts as the (i) the central point of contact for policy makers; (ii) it pools the competence and experience of the Bavarian business community and actively contributes to a pluralistic society; (iii) together with its members, it provides the basis for political decision-making; (iv) it communicates facts, the economy's demands and positions to political decision makers, society and governmental administration, as well as to the media and the public; and finally (v) it informs and advises its member associations and companies on any opportunities or threats and initiates an intensive exchange of ideas and experiences from contributing members. For more, see online: <www.vbw.com>.\)
the successful economic revivals of cities as diverse as Manchester, Pittsburgh, Seattle, and Boston. When combined with traditional BIA functions such as streetscaping, branding, and business attraction and retention, the industrial or employment focused BIA has the potential to be a highly integrated and effective mechanism for delivering economic development at a local level. It also has the added value of being acceptable to critics of top-down industrial strategy. The industrial and employment BIA manages to marshal the most currently admired aspects of Keynesian intervention (i.e., Mazzucato’s *Entrepreneurial State*)79 with the small-scale mass-flourishing encouraged by more market-oriented approaches (e.g., Phelps’ *Mass Flourishing*).80

As we alluded to earlier, the DHBIA model is most applicable to a Canadian context with its history of decentralized industrial organization and its highly fragmented system of economic and sectoral development organizations. That being said, any businesses or governments considering the adoption of such an approach in BIAs like Duke Heights do need to keep in mind a number of factors. First, if BIAs are to take on additional cluster development responsibilities, they will require strong leadership from members combined with solid managerial expertise within the BIA. The director of an industrial BIA, like that of a cluster organization, must be able to act effectively as a bridge between businesses and critical players like universities, capital providers (banks and other financing agents) and government. Second, proponents of this new approach must be able to identify and find ways to address the various deficiencies in existing policy, education, infrastructure and specific firm performance that can inhibit the general performance of an industrial BIA. This implies a need for capacity building, new policies, and better funding models to further the development of industrial BIAs with their focus on employment generation and human capital upgrading. Third, if the concept is to be diffused across entire regions, coordination, networking and sharing of best practices between such BIAs will be critical in areas such as cluster development, employment policies and government relations. Lastly, there is no reason why aspects of the DHBIA could not be adopted in more traditional retail and service oriented BIAs within existing cities like Toronto. As recent research demonstrates, there are significant opportunities to improve productivity, innovation and management of firms


79. Phelps, *supra* note 34.

80. Mazzucato, *supra* note 5.
whether they are a small restaurant, grocery store or local realtor. For example, in service industries such as retail, a participatory organization that values people and democratizes decision making and shop-floor work processes has been found to enhance business performance by driving up quality and bringing down costs such as employee turnover.  

C. CONCLUDING COMMENTS

In closing, we hope this article can help spark further discussion and debate on the role of local place-based economic development strategies and actors like BIAs in delivering shared economic prosperity. Although it is true, as mentioned in the introduction, that large urban regions like Toronto are the main engines of economic growth, they are also home to growing levels of economic inequality, social exclusion, and in some cases civil and political unrest. And it is precisely at a city and local level where solutions to these challenges must be found. In this respect, new and innovative approaches such as the DHBIA need to be encouraged, rather than discouraged, and supported by lawmakers at every level of government.
