



# New Official Plan

The Economy

City of Ottawa  
Planning, Infrastructure, and Economic Development  
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## INTRODUCTION

In 2016, Ottawa City Council directed staff to undertake a planning study to identify trends that would shape the city over the next century and identify opportunities for creating complete communities and an affordable and sustainable city. The result of this is presented in the Ottawa Next: Beyond 2036 study report. With a scenario-based approach to land-use planning, this report brings focus to the forces driving change in our City and the potential impacts of those drivers. The Ottawa Next report offers planning considerations for the City and Region with considerations for economic development such as:

- Provision of infrastructure needed for innovation
- Defining and building on key knowledge-based industry sectors where the City has the potential to become global leaders
- Greater partnerships between post-secondary institutions and industry
- University attraction, development, diversification and retention
- Creating and strengthening urban environments that are supportive of a knowledge-based work force
- Need for higher domestic and international immigration
- Key place-making initiatives
- Further development of, and addition to, the city's roster of post-secondary education institutions
- Importance of business linkages and relationships with Toronto and Montréal (within the mega-region) and other global cities
- Linkages of ground and air transportation networks
- Future role of the airport both for Ottawa and in the context of the mega-region
- Growing importance of high quality, high capacity ubiquitous digital connectivity
- Availability of venture capital
- Cross-pollination between sectors, entrepreneurs, government and not-for profit
- Promoting Ottawa's emerging agricultural sector as a key sector of the economy
- Seeing the public realm and urban design as part of the strategy to develop economic opportunities
- Understanding the future of retail and embedding it adequately into the city fabric
- Economic opportunities and mobility in rural areas to attract immigrants looking for high quality of life in rural communities

The purpose of this discussion paper is to build on the Beyond 2036 report, taking a closer look at the economic challenges and opportunities facing Ottawa, and identify potential directions for creating a strong and resilient economy.

### **Snapshot of Ottawa's Economy**

The Ottawa-Gatineau Census Metropolitan Area (CMA) is one of the six million-plus metropolitan areas in Canada (the “VECTOM” cities – Vancouver, Edmonton, Calgary, Toronto, Ottawa, Montréal). We are home to about 1.5 million residents. In 2018, Ottawa-Gatineau's economy was valued at \$71.1 billion (10.7% of the Provincial total, or 3.8% of the Canadian total). Ottawa-Gatineau's total labour force is 740,000 people and the unemployment rate in December of 2018 was at 4.9 per cent.

Ottawa has one of the largest rural areas of any city in Canada. Almost eighty per cent of the city is made up of rural area, with just under ten per cent of Ottawa's population living in the rural area.

Unlike other metropolitan areas in Canada, the presence of the federal government heavily impacts Ottawa's economy, including its growth and employment. In 2016 approximately 145,000 people worked for the federal government in the National Capital Region.

More broadly, almost 30 per cent of the city's economic activity and one-third of employed residents are attributable to the public sector, which includes all three levels of government and government-funded organizations like universities and hospitals. Further, many of the private-sector organizations in the city exist primarily to provide goods and services to the government sector.

In addition to the public sector, knowledge-based industries (including communications technology, software, aerospace, defense and security, digital media, life science and clean technology) are a major employer and economic engine in Ottawa that employs 68,000 people in 1,750 companies.

The other major employment sector in Ottawa is tourism. In 2016, ongoing activities carried out by businesses that serve tourists in Ottawa directly employs over 30,600 jobs with employees earning \$1 billion in direct wages and salaries. Direct employment generates over \$1.4 billion in direct gross domestic product (GDP) and over \$3 billion in direct economic output in the province annually. In 2016, tourism related jobs make up roughly 5% share of all jobs in the city.

Due in part to the high number of public sector jobs Ottawa's average household income per capita was \$50,644 in 2018- higher than the Provincial average of \$48,214 or Canadian average of \$48,608.

In addition, the city's workforce is the most educated in Canada with 61 per cent of workers having at least one post-secondary degree. Ottawa also holds the highest concentration of engineers and scientists in the country.

## OPPORTUNITIES AND CHALLENGES

As a G-7 capital, Ottawa's strong and continuing government presence provides an economic resilience unique among global mid-sized cities. Its workforce appears to be among the least threatened by automation and other workplace revolutions. The stable and relatively well-remunerated workforce also provides the basis for a strong service sector and retail economy and supports the rich cultural and artistic life of the community.

While economic success has always depended upon minimizing the cost of factors of production (land, labour, capital, etc.) while maximizing sales to markets, the globalization trend has reduced the relative importance of resource inputs and capital to the scarcest resource, human capital (not muscle but creativity, problem-solving and understanding of, and responding to, customer needs).

The global competition for geographically mobile talent favours regions that offer the best quality of life (amenities, security, freedom/tolerance, social cohesion, justice, equity and economic opportunity – accumulation of wealth).

Ottawa is relatively well placed to address ongoing and future changes to maintain and expand its current liveability. Ottawa boasts an existing high quality of life supported by its culturally rich and diverse social and built environments, its remarkable natural environment, positive growth patterns, its stable yet increasingly diverse economy, as well as its extensive educational and health systems.

As cities reach a certain critical mass in population, they also begin to generate more opportunities, both from the growth of a larger domestic market, and from increased investment interest from global stakeholders seeking opportunities. Larger cities become more integrated into global exchange networks that align with areas of economic activity and focus. This in turn generates opportunities for improved regional, national and transnational transportation connections, greater worldwide visibility, more cultural and artistic vibrancy and presence, and a greater power of attraction.

If carefully planned and supported, this may result in an acceleration of economic diversification. As Ottawa reaches the next threshold in population, economic development considerations become a key catalyst for the city's ability to respond to the challenges, disruptions and opportunities.

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## ECONOMIC DIVERSIFICATION

With the diversity of Canada's economy as a reference point set at 1, Ottawa's economy has a diversity level of 0.37. This is by far the lowest among Canada's six largest cities - less than half that of Calgary's, the next lowest-ranking of the VECTOM cities.

Ottawa's low economic diversity reflects a concentration of jobs in the public service sector, driven by the role the federal government plays in the city's economy.

Counterbalancing the concern about low diversity is the fact that federal government employment and spending provides a buffer against economic downturns. However, it has long been recognized that dependence on a single large employer and economic engine can be problematic.

### **Economic Clusters**

To diversify its economy, the Greater Ottawa-Gatineau Area can increase its support for emerging economic clusters. Economic clusters are networks of economic relationships that create a competitive advantage for related industries (companies, suppliers, service providers, etc.) within a geographic area. Clusters can encourage competition, spur innovation, create opportunities for corporate/research/educational partnerships, play an important placemaking or district-making role, and provide opportunities for entrepreneurs. Companies that are part of a cluster typically operate more efficiently when sourcing inputs, coordinating with related firms, and measuring their performance against one and other. Clusters can catalyze spin-off activities that, in turn, lead to the creation of new businesses.

Public policies and strategies can help businesses within a cluster become more competitive and successful (ex. favourable regulations, ease of doing business, incentives, etc.) Investments in hard and infrastructure are important for the development/sustainability of economic clusters (improvements to transportation, highway access, high-speed connectivity, but also to arts and culture, recreation, urban design, public spaces, etc.).

### **Local entrepreneurship**

In addition to established or emerging clusters, the ability for individual or small-firm entrepreneurship to thrive in a city is often based on the culture and climate in which new companies must be created, grown and nurtured to stability and viability. This can be a personal business, a retail store, a small new company with a new idea or product to bring to market, all the way up to a more ambitious business proposition. Ottawa has a number of well-known local entrepreneurs at all scales, who have put the city on several maps and helped increase our global visibility and reach.

With population growth, cities create new opportunities for local entrepreneurship to take advantage of the larger critical mass of potential clients and customers to move to replace the provision of goods and services by outside providers. Examples include the recently-observed growth of the food industry, not just in new restaurants but in a new ecosystem that supplies food and food-related services, products, packaging, and logistics to Ottawa's growing food scene; or the surge of local coffee or brewing businesses that go beyond simply operating indie coffee shops, but roast, brew, package and distribute to much larger areas even beyond Ottawa. Our city also has one of Canada's most active Maker communities, and our Maker Faire is one of Canada's largest.

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## THE IMPORTANCE OF THE KNOWLEDGE SECTOR

A knowledge-based economy is an economy where productivity and growth are based on the production and transfer of knowledge. Cities are increasingly dependent on knowledge, information, technology, and skilled talent as a means by which to innovate and increase productivity levels; those that actively advance progress in knowledge-based economies are better aligned to achieve prosperity. With a high proportion of Ottawa's population employed in highly skilled knowledge-based occupations like computer and information systems, the city is well positioned to excel. Key elements of this sector include private knowledge-based business, government related institutions and agencies that relate to and/or support knowledge-based industries, the diplomatic community and NGO's with their connections to international knowledge-based industries, post-secondary institutions, and hospitals.

The digital revolution is transforming all sectors of the economy, as more digital processes replace traditional human functions. The application of artificial intelligence (AI) is wide reaching, with notable examples being medical diagnosis, automated vehicles, financial analysis, and day-to-day online assistance. It is estimated that the global GDP will be 14% higher in 2030 as a result of AI; equivalent to approximately \$15.7 trillion (USD). Although research suggests that the public sector, as well as health and social services may be the most protected, emerging digital technologies will nevertheless dramatically change how these sectors operate.

Having the highest educated population per capita of any other major city in Canada, with four major post-secondary institutions and government researchers, Ottawa has developed a very strong knowledge-based industry sector. This began with telecommunications and has now evolved to be multifaceted in the Information and Communication technology (ICT) sector with major nationals and new firms being part of a high-tech ecosystem that is the largest per capita of any city in the Country with roughly 65,000 employees and about 1,900 companies.

The continued growth and diversification of knowledge-based industries is the most significant area of focus for growing and diversifying the City's economy. New evolving technologies being developed within Ottawa's knowledge-based industry sector include autonomous vehicles, next generation networks, data analytics, and cyber security. In addition to this diversification, and under the umbrella of the knowledge based industry sector with post-secondary institutions that can feed talent and support innovation in technological development, the City's hospital infrastructure that supports a health sciences business sector, and the City's significant agricultural areas, other key focus areas where Ottawa can position itself as a leader includes strengthened alignments and relationships alignment of post-secondary institutions to support business growth, health sciences growth, and precision agriculture/agri tech.

Businesses in the knowledge-based sector offer high remuneration and provide longevity of jobs. Businesses in this category have numerous economic impacts on the local economy. They serve global, rather than just local, markets and therefore inject outside money into the Ottawa economy. In addition, these businesses often have extensive supplier networks and local purchasing resulting in further indirect economic impacts on the Ottawa economy.

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## NURTURING, ATTRACTING AND CREATING NEW SECTORS

A growing city will necessarily be more attractive to a broader range of economic activity. Looking beyond the established sectors of Ottawa's economy, how is the city and the metropolitan area positioned to nurture, attract or create new sectors? Are we equipped to strategically leverage all of our assets and opportunistically seize opportunities to become the centre of a new field of activity? As a city, what do we need to do to facilitate thinking along these lines? Do we have everything in place to be a solid platform for new economic activity? Do we have the civic culture needed to be attractive to people wishing to take chances and try new things? How can our existing sectors, and our status as nation's capital, help us position ourselves better in this respect?

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## ATTRACTION AND RETENTION OF SKILLED LABOUR

Well-trained labour will be at an increasing demand both locally and internationally with the rise of knowledge-based sectors. The labour market's preference will lean towards highly skilled workers, especially those with knowledge of advanced technologies. This workforce is highly mobile, driven by attractive employment opportunities and local amenities. The capacity to attract and retain talent is critical to sustained success.

Quality of life has become an important factor for both businesses and workers' motivation to locate in certain places. More and more, cities are focusing on providing

and enabling community services, lively public spaces and streets, interesting urban design including built heritage, entertainment options, nightlife and cultural offerings, dubbed 'soft infrastructure'. Brick-and-mortar retail and services are offering experiences beyond just the purchase of goods.

Maintaining and enhancing Ottawa's high quality of life and the rich cultural offerings will be critical. Supporting the arts, architecture, urban design and the societal values that underpin its actions, are important to establish and reinforce Ottawa's global visibility and attractiveness. However, the challenge remains to communicate this advantage globally through effective branding. Large scale public realm projects or signature events such as international music festivals or sporting events can be successful in setting Ottawa apart from other global mid-sized cities.

As a G7 Capital offering a relatively affordable high quality of life, Ottawa is well-positioned for this competition. However, our ability to attract executive-level, experienced talent (marketing, finance, operations, etc.) may be somewhat more constrained in Ottawa than in larger metropolises as this type of talent depends on competing opportunities and mobility among employers – unless our economic relations and connectivity to Montréal and Toronto are improved. A threshold of top businesses needs to be reached to entice this talent to come to, and stay in, Ottawa.

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## REGIONAL, NATIONAL AND INTERNATIONAL CONNECTIONS

The new economy is highly dependent upon intra and inter-city communications. Digital connectivity is the backbone infrastructure of the knowledge-based economy and is ever evolving to accommodate the needs for high quality and high capacity digital connectivity that is affordable.

Airports also have a distinct role to play both in supporting that national and global connectivity and in providing space for the types of economic activity increasingly drawn to airport proximity. Ottawa's Macdonald-Cartier International Airport is a world-class gateway for region and an economic engine that drives prosperity. Having an international airport with international routes and US customs pre-clearance, and can operate 24 hours a day, is a key asset to attract and retain business investment and talent as well as business, conference and leisure visitors.

A 2017 economic impact study measured the airport's contribution to the local economy at \$2.2B in total annual output (direct, indirect, induced) with a forecast of \$2.5B by 2021. Passenger volumes have been increasing steadily at approximately 1-2% annually with a significant 5.6% increase to 5.1M passengers in 2018. Not surprisingly 78.3% of passenger volumes are domestic, with 14.1% transborder and 7.6% international. Passenger volumes are expected to increase to 6.4M by 2030 and 7.85M by 2038 (approximately 2% annually).

High-speed rail links to Montréal and Toronto also become an important part of the city's economic strategy, connecting easily to their business and financial centres. A high-speed rail link that stops at the Ottawa Airport would allow the city to grow its roster of flight destinations by drawing from Montréal and Toronto, while also providing relief from the overcapacity of their airports. Capitalizing on the growth of international air connections will be an important strategy for Ottawa to distinguish itself from other global mid-sized cities.

The role of our smaller airports at the regional level (Gatineau, Carp, Rockcliffe) should also be kept in mind as we evaluate the role of each of the components of our air connections and the role they can play.

Mobility within the Greater Ottawa-Gatineau Area is important as well, not only in terms of connecting the airport and rail station to downtown, but seamless regional transit allowing for the easy movement of people from where they live to work, or from business to business. Easy mobility creates the condition for collaboration and innovation.

## MOVING FORWARD

### STRATEGIC PRIORITY: ATTRACTING KNOWLEDGE WORKERS

Affordability, quality of life and vibrant and complete communities are important not only for current residents, but as a strategy to attracting knowledge workers to Ottawa. This is true not only in the downtown core but also in suburban and rural contexts where past planning practices have separated where people live, where they work and where they play. Currently suburban employment areas in particular, are mostly single use with little in terms of community life.

Ottawa could focus on enhancing the identities of its distinctive neighbourhoods and communities through high quality urban design and by using signature projects as possible anchors. The emergence in recent years of districts like Chinatown, Little Italy, Wellington West/Westboro, and rural villages like Carp and Manotick as destinations, provide great opportunities to pursue such strategies. More suburban districts close to employment areas or higher-order transit could also be targeted going forward. Several, like Kanata Centrum and the Orléans Town Centre, have been rethinking their future.

Ottawa can also look at the evolution of its commercial areas to ensure that these stay active and vibrant. To compete with online shopping, main street retail may need to focus more on providing customers with high quality experience. This may mean less stock in store and the need for more warehousing. Land use policies and zoning will need to be reviewed to make sure that they can accommodate potential changes to store sizes or new transportation requirements.

Similarly, larger malls and big box stores are increasingly focused on providing better experiences by incorporating entertainment, offices, health services and even residential development in their mall and site design. Other malls may not survive the transition. In both cases, it will be important for the city to determine how these spaces can support and be well integrated, or re-integrated, into their surrounding neighbourhoods.

To attract these workers, it is of critical importance for Ottawa to continue to nurture its brand in order to establish and reinforce global visibility and attractiveness. Many cities have been successful in rebranding themselves with signature projects, such as Chicago's Millennium Park, Bilbao's Guggenheim Museum, and Seattle's Olympic Sculpture Park. Signature projects can range from redevelopment of a large underused site, to creating or developing destinations or districts, or simply improving the access to an existing asset. They can have a long-lasting impact by promoting an image of the city to the world. Furthermore, they can act as catalysts for economic development through attracting tourism and other investments.

Ottawa could explore an opportunity for impactful projects that can create a destination for residents and visitors. The Ottawa River corridor is an example, where creating an improved connection from the city to this great natural asset could be explored, along with place-making opportunities and new activities by the riverfront. The National Capital Commission is taking steps in this regard with its plan to create the Sir John A. Macdonald Riverfront Linear Park.

Ottawa's new light rail transit system, the revitalization of Lansdowne Park, the redevelopment of Arts Court, the new Ottawa gallery and the proposed new Main Central Library are more current examples of city lead signature projects that are helping to transform the city from one that is seen as only a government town, to capture more of its identity as a vibrant mature Canadian city. Past signature projects, like the Canadian Museum of History or the National Gallery of Canada, have illustrated the extent to which such investments can help to raise the city's profile, through the boldness of their architecture and the quality of their offerings.

How can Ottawa set itself apart from other Canadians and global cities to attract knowledge workers? How do we make suburban and rural neighbourhoods more

attractive to new workers? To what extent would a seamless regional transit network, including transit connections to the airport, improve Ottawa's competitiveness? What are the signature projects that will be used by residents and attract new workers?

## STRATEGIC PRIORITY: PLANNING TO SUPPORT ECONOMIC DEVELOPMENT

Clusters require land use policies that allow for different types of businesses and activities to locate close to each other, such as offices, research facilities, manufacturing, education, or business services. Land use policies must also be flexible enough for these businesses and other organizations to change and grow.

However, current planning and zoning restrictions can significantly limit the ability of businesses and other organizations from creating these clusters as they often required the separation of different types of employment uses. Suburban employment areas in particular tend to be low-density and single-use and industrial uses are relegated to specific areas, while office uses are segregated into office parks\*.

For example, Kanata North is Canada's largest technology park, contributes 13 billion to Canada's GDP (a 66 per cent increase since 2015) and employs close to 20,000 people (an 18 per cent increase since 2015). Can future zoning and planning to support a greater mix of uses help Kanata North to continue to attract highly skilled workers?

How can we support the development of clusters through changes to zoning and planning that would allow a greater mix of uses? Could we see economic clusters emerge around the airport, around the new Civic Hospital, around the Amazon distribution center centre, along some of our Traditional Mainstreets or around precision agriculture in Ottawa's rural areas? Can we use clusters as a catalyst to create more complete communities?

Rural villages and their mainstreets are important to the vitality of rural areas as hubs for essential services and a central component to heritage and identity. Ottawa rural village mainstreets employ close to 3,000 people in industries such as retail, food service, education, health, and professional services. In addition, Rural Employment Areas also play an important role within the rural economy. In 2016, approximately 7,000 jobs were within rural business parks, representing 30% of rural jobs.

What is the role of zoning in invigorating rural mainstreets and making them lively destinations, true to the character of the communities they represent? How do we also

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\* Pamela Blais: *The Role of Planning and the Competitive Context*, 2015

support rural economic development outside of the villages including rural employment areas, agriculture and tourism?

#### STRATEGIC PRIORITY: SUPPORTING LOCAL ENTREPRENEURSHIP

Land use and planning policies can play a critical role in creating a culture of support and nurturing for local entrepreneurship. Ottawa has started experimenting successfully with micro-retail and small-scale maker zoning. As we contemplate the means by which to support a diversifying regional economy, what other means of support can the City provide to embed local entrepreneurship into how we view urban planning? And how can this be connected to place-making, district-making and neighbourhood identity?

In support of the other strategic objectives, notably talent attraction and retention, how should we link the support and nurturing of local entrepreneurship to the support and nurturing of the creation of new arts, culture or music venues, the rejuvenation of neighbourhood identities through the entry of new identity elements linked to entrepreneurship, the intertwining of the local Maker community into the strengthening of the lively districts of the city that the young knowledge workforce typically seeks?

#### STRATEGIC PRIORITY: IMPROVING CONNECTIONS

To ensure that Ottawa is able to compete globally, it needs to create improved connections, both digital and physical with other cities. These connections are essential to Ottawa's ability compete for opportunities not available to it alone. At a local level, its partnership with the City of Gatineau allowed it to meet the minimum population threshold to bid for Amazon HQ2.

However, Ottawa-Gatineau should also look to increase collaboration and its connections and with Montréal and Toronto regions if it is going to be successful internationally. Economic activity is increasingly concentrated in fewer cities and mega-regions, and in major companies that act as powerhouses driving the global economy. For example, New York City's economy alone is close to that of Spain and Canada.

In 2016, the Mayors of Toronto and Montréal took steps to better cooperation when they signed a partnership agreement that focused on five areas: governance, economic vitality, the environment, living together and social development. In the future, Ottawa-Gatineau should be a signatory to these agreements, in order to promote cooperation between the three large city-regions.

In addition, investments in good digital connectivity, improved air and high-speed rail connections, and smoothly integrated links between inter-urban and urban transit, will allow Toronto, Ottawa and Montréal to increase cooperation and coordination, and work toward creating a mega-region that would allow them to be a global competitor at a scale not possible in isolation. Ottawa's role in the mega region could focus on its

strengths in high tech, life sciences, higher education, affordability, culture and quality of life, as it emerges as a larger, more urbane population centre. The general idea would be to better define areas of economic specialization among the three large cities so as to avoid overlap and competition, and instead position the mega-region as a more cohesive economic block.

The discussion paper on the Greater Ottawa-Gatineau Area also highlighted the issue of inter-provincial trade barriers that complicate economic exchanges between Gatineau and Ottawa. Might there be an opportunity to seek the creation of an inter-provincial free-trade zone between both cities, so as to remove barriers to an easier flow of goods and services between the two?