

Elk Valley Regional Economic Opportunity Analysis & Growth Sector Identification

FINAL REPORT

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Prepared for:

**Elk Valley Regional
Economic Development Committee**

With funding support from:



Invest Kootenay



District of Elkford



District of Sparwood



City of Fernie

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EXECUTIVE SUMMARY

This study is an initiative of the Elk Valley Regional Economic Development Committee, which is an emerging partnership of local governments, First Nations and the private sector that is working to collaboratively pursue beneficial economic development in the Elk Valley of southeastern British Columbia.

The key outcome of the study is a list of the highest-potential investment attraction opportunities for the Elk Valley. The results are based on **statistical analysis** of the regional economy, a review of **previous studies** in the region, a pair of **Economic Opportunities Workshops** conducted in Sparwood and Fernie in February 2013, and the application of a detailed **evaluation framework** that rates the potential of each opportunity.

The evaluation framework includes three categories:

- i. Location factors, which measure the Elk Valley's appeal as an investment location for each opportunity,
- ii. Economic impact factors, which measure the benefits of each opportunity to the Elk Valley, and
- iii. Economic development influence, which measures the degree to which a dedicated investment attraction effort can influence the investment decision.

COMPETITIVE SUMMARY

Based on economic analysis of key trends and characteristics of the Elk Valley relative to neighbouring regions, as well as community input and a review of previous studies, the following are the most important competitive advantages and disadvantages for the Elk Valley as an investment location.

Advantages

- Lifestyle, including mountain culture, outdoor recreational opportunities and high-quality community amenities.
- Strong transportation corridor with Highway 3 and rail connections to the coast, along with associated logistics expertise related to goods movement.
- High workforce concentration in engineering and trades-related fields.
- Proximity to significant and expanding mining activity that creates associated business opportunities and also pays high wages, thus increasing disposable income.
- Tax incentives in the form of no development cost charges (DCCs) in two communities (Elkford and Sparwood) and a downtown revitalization tax exemption in Sparwood.
- Potentially available labour force from the families/spouses of mining employees.
- Available and affordable natural gas and water connections for commercial and industrial users.

Disadvantages

- Aging population and flat or declining labour force growth.
- Limited supply of industrial land, particularly larger parcels.
- Proximity to Alberta and the United States where sales taxes and prices are lower for many goods and services.
- Limited supply of office and meeting space.
- Limited availability of post-secondary education and training.
- Lower workforce concentration of university grads relative to BC, with particular low number of science, math & computer science graduates
- Strength of the mining sector creates tough competition for other businesses in attracting and retaining skilled labour because they are unable to pay comparable wages.
- Limited services and recreation opportunities for retired demographic.

ANALYSIS OF INVESTMENT OPPORTUNITIES

Opportunity Rankings	
Mining Service Firms	The two highest-ranking opportunities - mining service firms and new mine development - are extensions of the Elk Valley's existing economic strengths. The attraction of amenity-driven entrepreneurs ranks third, followed by three opportunities with similar ratings - accommodation properties, tourism product development and education/research institutes.
New Mine Development	
Amenity-driven Entrepreneurs	
Accommodation Properties	
Education/Research Institute	
Tourism Product Development	
Alternative Energy	Alternative energy and health services are the two opportunities that are clearly not recommended investment attraction targets at this time.
Health Services	

The "pre-feasibility" type of analysis in this report is useful for determining which opportunities have the most potential as investment attraction targets and which opportunities should be disregarded. But the rating system is not precise enough to make definitive judgments about opportunities with similar ratings.

A reasonable conclusion from the analysis is there is no single opportunity that should be the sole focus of investment attraction initiatives in the Elk Valley. A multi-pronged approach is therefore the recommended way for the Committee to proceed, including not just multiple investment attraction opportunities, but also a range of activities beyond just marketing and promotion to external investors.

RECOMMENDATIONS

The recommendations listed below give the Economic Development Committee examples of the possible route forward from this report.

1. Establish "primary" and "secondary" investment attraction targets (primary targets are those where the Committee is proactively pursuing investment, while secondary targets are those where support is provided when appropriate). The suggested approach is to adopt **amenity-driven entrepreneurs** and **accommodation properties** as primary targets, with mining service firms, new mine development, education/research institutes and tourism product development as secondary targets.
2. Before embarking on any externally-focused marketing programs, consider the list of competitive disadvantages to determine if there are worthwhile steps for the Committee to take to mitigate any of these weaknesses. Particular attention should be paid to any issues that are important to the primary investment targets, but also to issues that are pervasive across many opportunities, such as the challenge of limited available land.
3. Determine a proactive approach to pursuing one or more of the investment attraction targets. This may include:
 - I. Developing an "investment profile" that includes descriptive information on the Elk Valley as well as information that specifically intended to make the business case for the opportunity.
 - II. Developing a "sales plan" for identifying and contacting potential investors in the target sectors, either one-on-one or by attending industry-specific conferences or trade shows.
 - III. Work with the existing target sector that is already in the region to improve local conditions and enhance "word of mouth" marketing.

1. INTRODUCTION

This study is an initiative of the Elk Valley Regional Economic Development Committee, which is an emerging partnership of local governments, First Nations and the private sector that is working to collaboratively pursue beneficial economic development in the Elk Valley of southeastern British Columbia.

The key outcome of the study is a list of the highest-potential investment attraction opportunities for the Elk Valley. The analysis is based on statistical analysis, previous in-depth studies of economy-related topics, and community input through several workshops held in Sparwood and Fernie in February 2013.

The evaluation framework used to rank potential investment opportunities takes into consideration a variety of dimensions in the following three categories:

1. **How well does each opportunity fit with the Elk Valley's competitive advantages and disadvantages?** This question considers the Elk Valley from the industry's point of view. Each industry has unique requirements for workers, land, infrastructure, transportation connections, access to natural resources, etc. For which opportunities is the Elk Valley a good fit?
2. **What are the benefits that each opportunity would provide to Elk Valley residents, businesses and the community at large?** This question considers each opportunity from the Elk Valley's point of view. What impact would each opportunity have on local employment (both the number and quality of jobs), on opportunities for local businesses, and on quality of life? Are there any aspects of the opportunity that are not a good fit with community values and vision?
3. **To what extent can this opportunity be realized through the efforts of the regional economic development committee and its members?** The modern economy is immensely complex and is affected by a multitude of factors, some of which are local but many are provincial, national and global in scope. The chance of a particular opportunity being realized in the Elk Valley is therefore affected by many factors beyond local control, so this question considers the likelihood of a dedicated investment attraction effort being successful. (After all, even the best local effort being successful.

After all, the Committee and its members have limited resources - both financial and human - and need to focus their efforts on the opportunities that appear most likely to create the greatest economic benefits to the region.

The project was undertaken under the direction of the Elk Valley Regional Economic Development Committee in partnership with Invest Kootenay. The committee members are identified in Appendix A.

The results of the study will be used by the Committee in follow-up initiatives designed to attract new economic development opportunities to the region.

STUDY PROCESS

The study process included three main components:

- An economic analysis interim report that included background statistical analysis and a review of prior studies (listed in Appendix B). It was prepared for distribution and presentation at the community workshops.
- A pair of **Elk Valley Economic Opportunities Workshops** conducted in Sparwood and Fernie in February 2013. The workshops included a presentation on the background analysis (which had been distributed as a short report prior to the meeting) and a discussion of competitive advantages, disadvantages and opportunities for the Elk Valley. Workshops were coordinated and facilitated by Invest Kootenay with workshop presentation materials supplied by Vann Struth Consulting Group. Participating organizations are listed in Appendix C.
- Application of a detailed **Evaluation Framework** that is used to rate the potential of each opportunity, resulting in a prioritized list that will help the Elk Valley Regional Economic Development Committee narrow its focus onto the best opportunities.

REPORT OUTLINE

Section 2 is an Economic Analysis and Benchmarking that uses both statistical and non-statistical comparisons of Elk Valley to several similar regions in order to understand key trends and highlight relative strengths and weaknesses. It concludes with a summary of the Elk Valley's competitive position based on a combination of the statistical analysis, background research and consultation.

Section 3 establishes the detailed evaluation framework and then applies the results of the competitive assessment to produce a rigorous evaluation of potential investment attraction targets for the Elk Valley.

Section 4 provides overall conclusions and suggested next steps for the Elk Valley Regional Economic Development Committee.

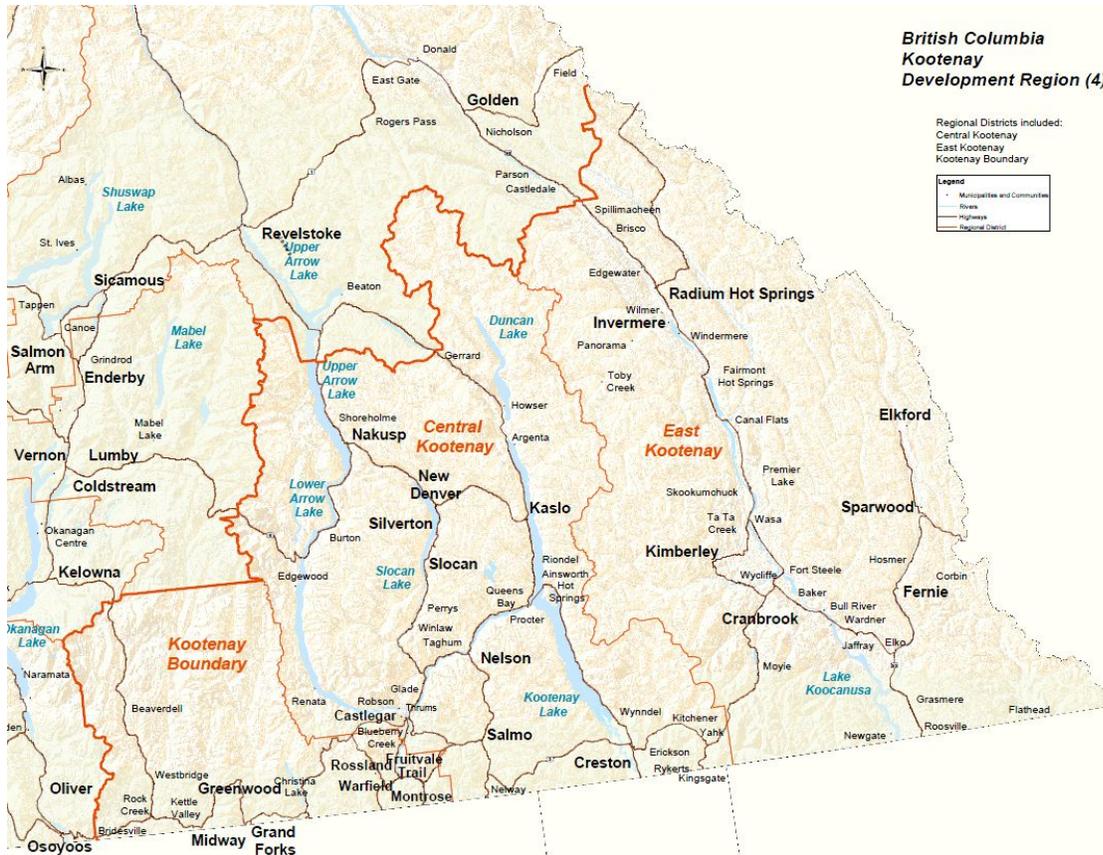
2. ECONOMIC ANALYSIS AND BENCHMARKING

Chapter 2 summarizes key trends and characteristics of the Elk Valley economy, demographics, labour force and other factors. An earlier version of this material was presented at the Economic Opportunities Workshops held in Sparwood and Fernie in February and served as a starting point for discussion of the region's competitive advantages and disadvantages from an economic development perspective.

The statistical analysis of the region includes comparisons to several neighbouring regions. This provides better context for understanding local trends and characteristics because nearby areas are subject to many of the same influences as the Elk Valley that may not affect larger areas like the province of BC in the same way. The comparison regions are:

- **Elk Valley**, which is defined in this report as the municipalities of **Elkford**, **Sparwood** and **Fernie**, plus the surrounding **Electoral Area A** of the Regional District of East Kootenay and the **Tobacco Plains Reserve** (which is included due to its participation in this regional economic development initiative and because it is believed to share certain opportunities due to its location on the main U.S. highway route to the Elk Valley, even though it is not contiguous with the rest of the Valley).
- **Rest of East Kootenay RD**, which includes all of the Regional District of East Kootenay not included in the Elk Valley definition above, including the communities of Cranbrook, Kimberley and Invermere.
- **Central Kootenay RD**, including the communities of Creston, Nelson and Castlegar.
- **Kootenay-Boundary RD**, including the communities of Trail, Rossland and Grand Forks.
- **Golden/Revelstoke & Area**, which includes the municipalities of Golden and Revelstoke and the surrounding Electoral Areas A and B of the Columbia-Shuswap RD.

These areas are shown on the map on the following page.

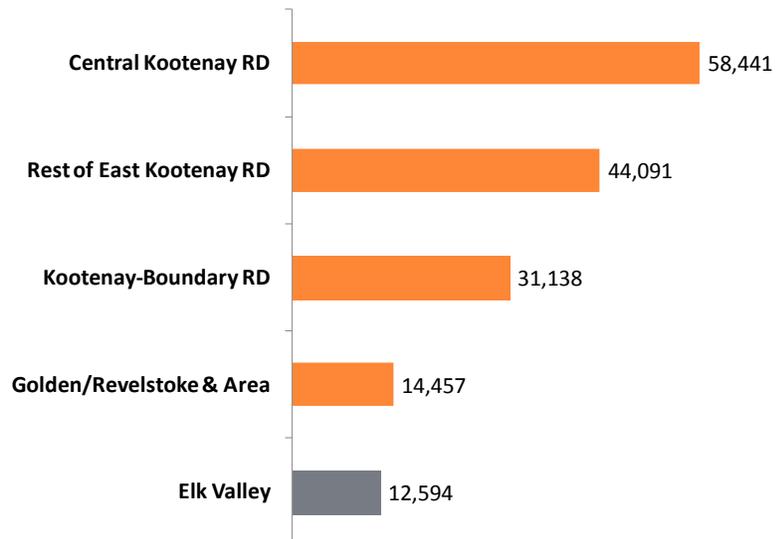


Map Source: BC Stats

2.1. POPULATION

The Elk Valley has the smallest population of the comparison regions, but shares many characteristics, including the mix of industries (tourism, traditional resource industries, growing service sector), similar topography and a shared location in between larger markets to the west (Vancouver, the Okanagan) and east (Calgary).

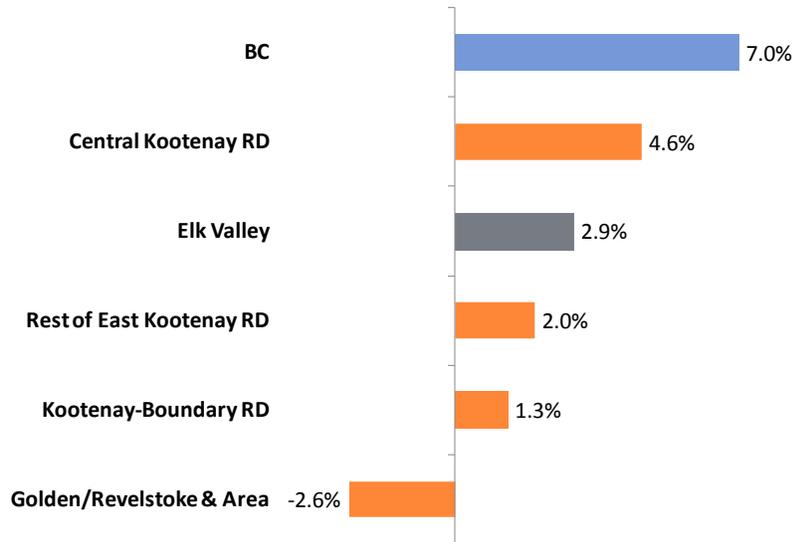
Census Population, 2011 (Source: Statistics Canada)



The Elk Valley ranks 2nd in population growth rate from 2006 to 2011, but all of the regions had slower population growth than BC overall. Golden/Revelstoke & Area stands out for losing population whereas all of the Kootenay areas added population.

Population Growth, 2006-2011

(Source: Statistics Canada Census)

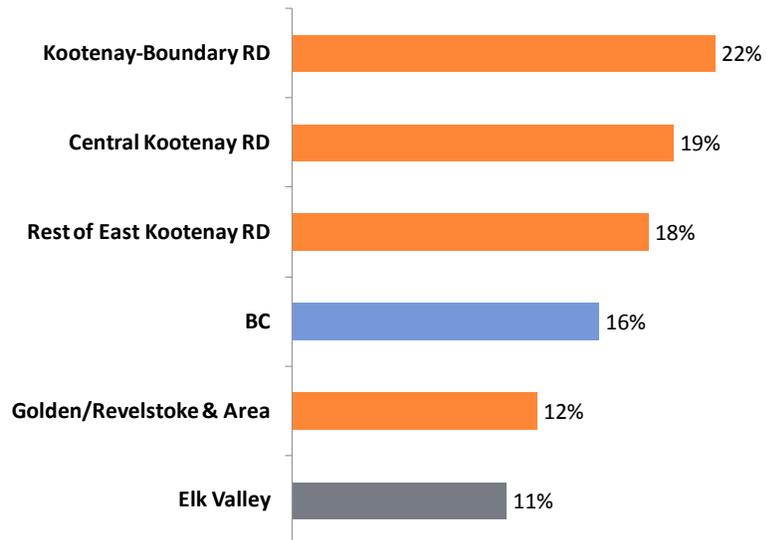


2.2. DEMOGRAPHICS AND MIGRATION

The percentage of senior citizens is an indicator of a region's attractiveness as a retirement destination, both for attracting incoming retirees and retaining former residents who retired.

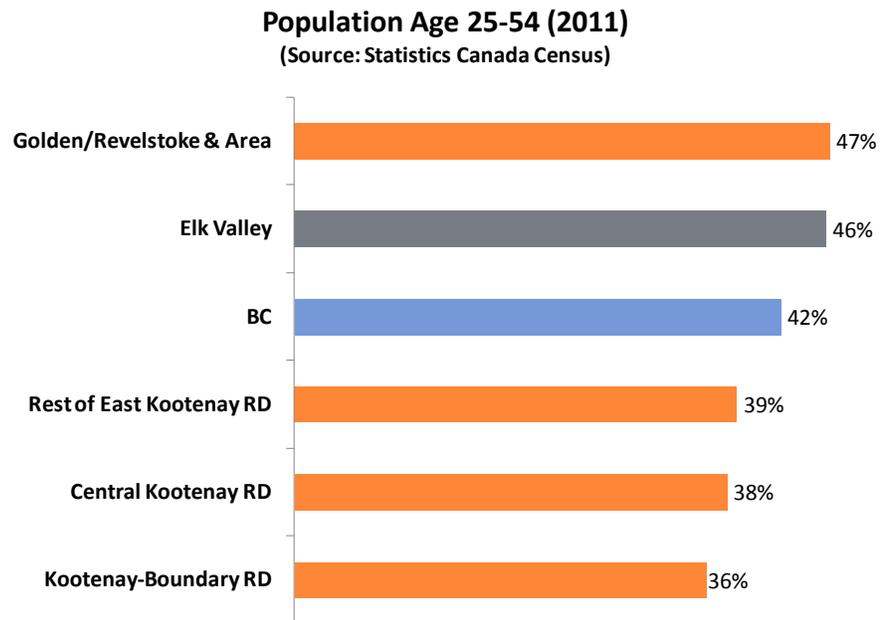
Population Age 65+, 2011

(Source: Statistics Canada Census)

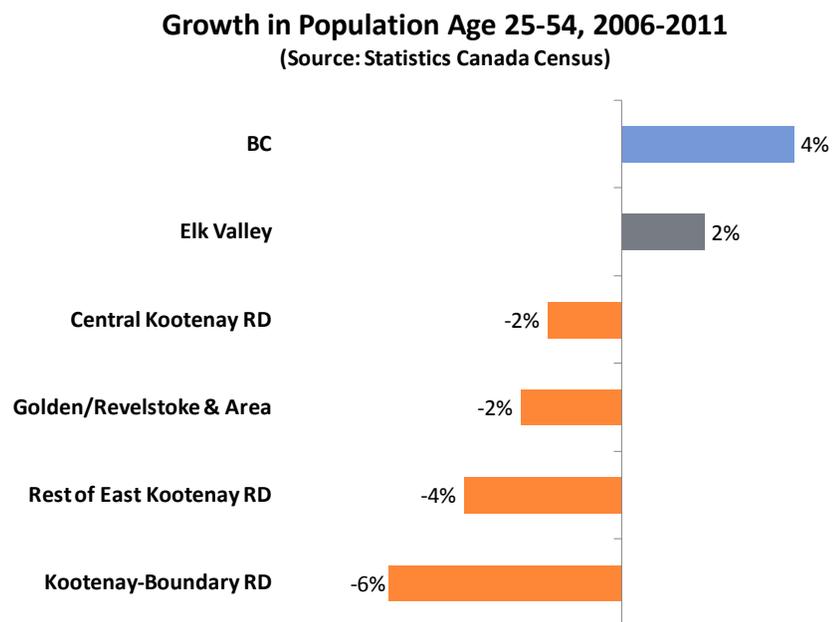


Labour force statistics from the 2011 Census are not yet available but a good proxy for the size of the labour force is the population in the 25 to 54-year-old range. People of this age are much more likely to be involved in the labour force than residents either younger or older.

The first chart compares the share of the population in each area that is in the prime working age range of 25 to 54. The Elk Valley ranks 2nd on this measure.



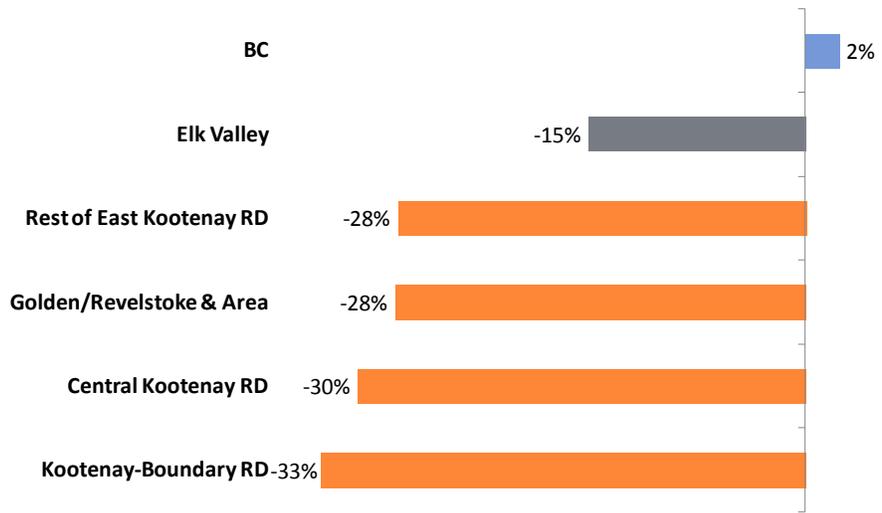
The next chart shows growth in the prime working age population from 2006 to 2011. Unique among the comparison group, the Elk Valley added population in this key demographic group from 2006 to 2011.



A key issue for rural regions is the retention of young adults once they complete high school. To some extent it is normal for youth at this age to leave home to broaden their horizons, but the availability of post-secondary education options, as well as well-paying jobs accessible to youth of varying skill levels will influence the rate of youth migration. One way to measure this phenomenon is to compare the size of a region's 15 to 19-year-old population from the 2006 Census with the 20 to 24-year-old population from the 2011 Census.

The Elk Valley's cohort of 15 to 19-year-olds declined by 15% from 2006 to 2011. This is typical for most rural areas, especially those without major post-secondary facilities, but is a much smaller decline than the comparable regions. The attraction of high-paying mining jobs and the ski resort in Fernie likely contributed to the retention of a higher percentage of youth (or an influx of youth from elsewhere).

Population Change, Age 15-19 (2006) to Age 20-24 (2011)
(Source: Statistics Canada Census)



2.3. POPULATION PROJECTIONS

BC Stats prepares population projections for regional districts, local health areas and other small regions in the province (but not individual municipalities). The Fernie Local Health Area (LHA) is the closest match to the Elk Valley boundaries used in this report, with the main difference that the LHA also includes Area B of the Regional District of East Kootenay.

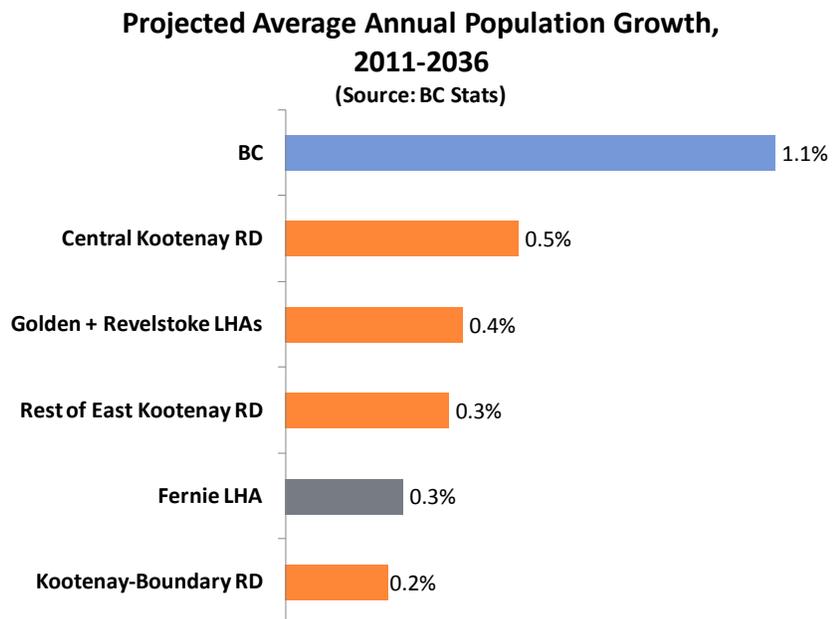
These projections are largely based on past growth trends, particularly the levels of net migration into and out of a region. There are no guarantees the projections will come true, but they provide a useful indicator of how population growth and demographic change will occur if current trends are maintained.

BC Stats population estimates and projections are also slightly higher than the official Census results because the Census always misses an estimated 3-5% of the population. The differences between the two sets of geographies are summarized in Table 1.

Table 1. Elk Valley Benchmark Communities

Comparison Regions	2011 Census Population (Statistics Canada)	Comparable Local Health Areas (LHAs)	Estimated 2011 Population (BC Stats)
Elk Valley	12,594	Fernie LHA	15,150
		East Kootenay RD less	
Rest of East Kootenay RD	44,091	Fernie LHA	45,151
Central Kootenay RD	58,441	Central Kootenay RD	60,684
Kootenay Boundary RD	31,138	Kootenay Boundary RD	31,852
		Golden LHA +	
Golden/Revelstoke & Area	14,458	Revelstoke LHA	15,340

Population growth over the 25-year period from 2011 to 2036 is projected to average 0.3% per year in the Fernie Local Health Area (LHA), ranking 2nd lowest in the comparison group and significantly below projected provincial growth of 1.1% per year.



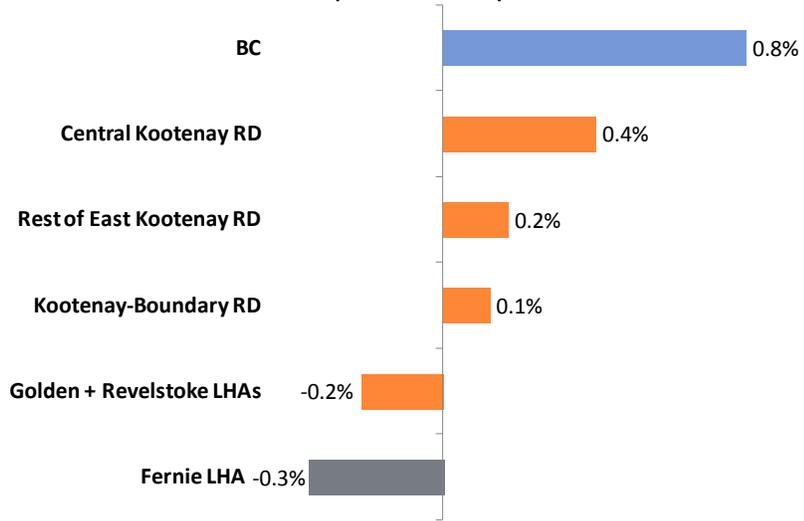
From an economic development perspective, projected growth in the prime working-age population is also critically important. Growth potential will be limited without having a sufficient supply of available workers.

Unfortunately for the Elk Valley, current demographic trends suggest that the prime working-age population of 25 to 54-year-olds is projected to decline by an average of 0.3% per year from 2011 through 2036. This translates to about 500 fewer residents in this key demographic by 2036.

These projections are not a sure thing and can be influenced by efforts by change local conditions and either attract or retain more younger adults and families, but they do provide a cautionary note about future population growth if current trends persist.

Projected Average Annual Population Growth, Age 25-54, 2011-2036

(Source: BC Stats)



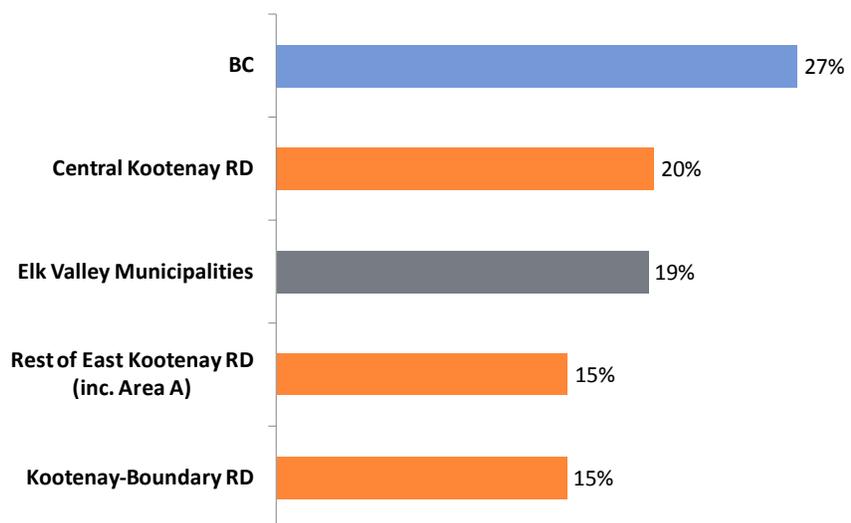
2.4. EDUCATION

Education data from the 2011 Census is part of the voluntary National Household Survey and is therefore not available for communities that had an insufficient response rate, including Electoral Area A of the RD of East Kootenay and the Town of Golden. The list of comparables in the chart below is therefore slightly different than those shown elsewhere in this chapter.

Overall, the percentage of residents in the 25 to 64 age range with some type of post-secondary credentials (including university, college or trades certification) is very similar across all of the comparable areas. The Elk Valley does rank slightly higher than the other regional districts.

Population Age 25-64 with University Degree, 2011

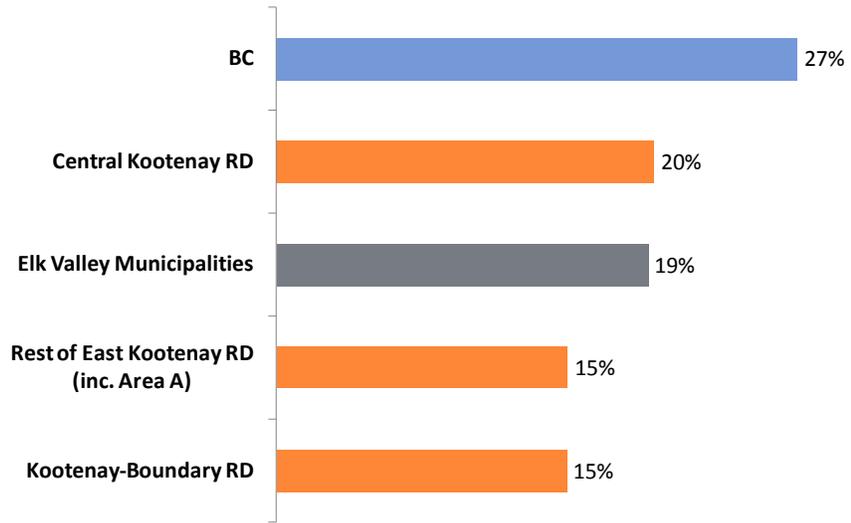
(Source: Statistics Canada National Household Survey)



The Elk Valley municipalities have one of the higher rates of university degrees in the comparison group, but the entire Kootenay region has a significantly lower rate than BC overall.

Population Age 25-64 with University Degree, 2011

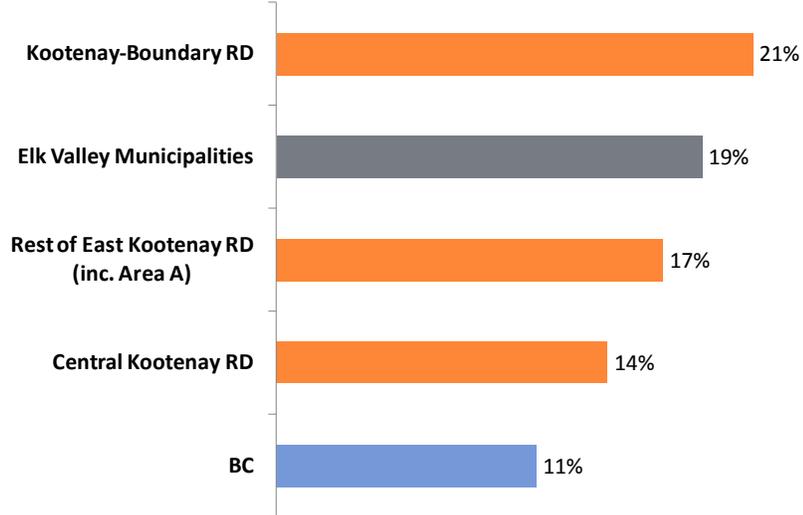
(Source: Statistics Canada National Household Survey)



The relative strength of the Elk Valley in educational attainment is in apprenticeship or trades certification. At 19% the trade of trades training is nearly double the provincial rate and ranking only slightly behind the Kootenay Boundary RD.

Population Age 25-64 with Apprenticeship/Trades Certification, 2011

(Source: Statistics Canada National Household Survey)



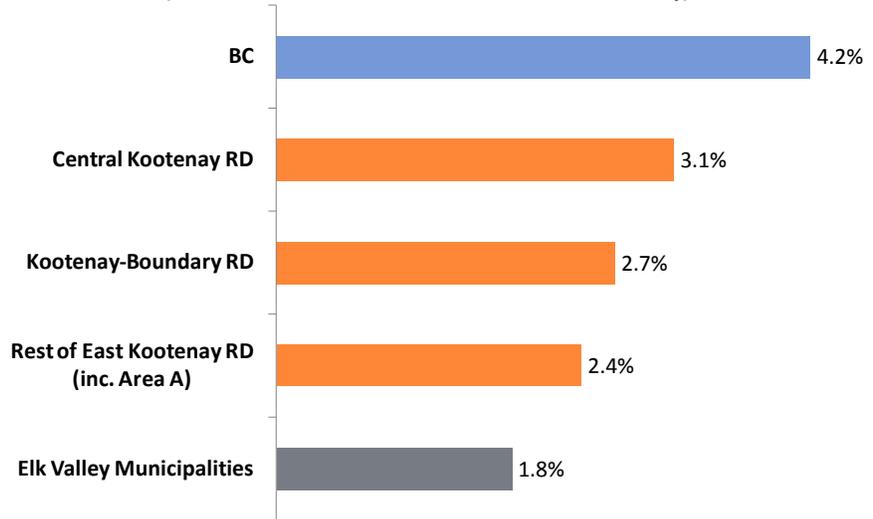
The relative strength of the Elk Valley in apprenticeship and trades training is likely even

greater if data was available from Area A. Draft versions of this report using 2006 data showed the Elk Valley with the highest rate of education/trades training, and somewhat lower university completion and post-secondary credentials overall. The importance of these technical skills in the mining sector is likely responsible for much of the regional focus on this type of training.

The Elk Valley municipalities have the lowest percentage of residents age 15+ with post-secondary credentials in science, math or computer science. These skills are important for many advanced technology industries and occupations but account for a small percentage of the workforce in both BC and the comparison regions.

Population Age 15+ with Science, Mathematics or Computer Science Credentials, 2011

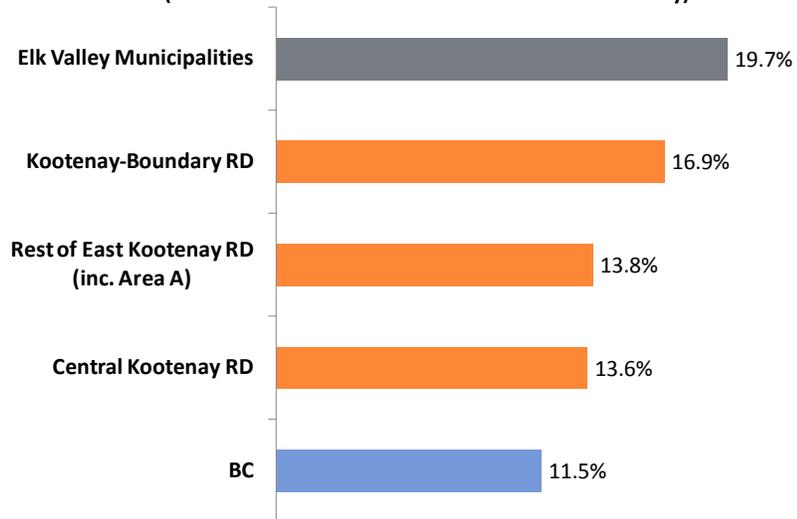
(Source: Statistics Canada National Household Survey)



The Elk Valley workforce is highly concentrated in engineering related technologies, again heavily influenced by the mining sector.

Population Age 15+ with Architecture, Engineering & Related Credentials, 2011

(Source: Statistics Canada National Household Survey)



2.5. MAJOR INDUSTRIES

Prior to 2011, detailed data on employment by industry at the community level was available through the Statistics Canada Census every five years. With the introduction of the voluntary National Household Survey in 2011, the same level of detail is not available for smaller communities and, for those communities with insufficient response rates, no data is available at all.

This section on major industries therefore includes both detailed results from 2006 as well as aggregated industry data from 2011. Another difference is that the 2006 employment figures shown below in Table 2 are based on jobs with a "fixed place of work" in the Elk Valley. This means they do not include jobs held by Elk Valley residents who work elsewhere (e.g., Cranbrook). Jobs that have no fixed place of work, such as construction jobs that are regularly moving to different work sites, are also not included. While significant changes have occurred in the global economy since 2006 and employment patterns have certainly changed, these detailed 2006 numbers still provide useful insight into the dominant industries in the regional economy.

In an attempt to uncover industries that have a strong competitive position in the Elk Valley but are perhaps not well-known, the table below shows all industries that had at least 20 jobs in the Elk Valley municipalities as of the 2006 Census and were also at least 50% more concentrated than in BC overall. The dominance of coal mining is demonstrated by the right-hand column, which shows that compared to BC, coal mining employment is more than 200 times as concentrated as the province overall.

Several of the other highly-concentrated industries are likely providing support services to the mines (e.g., machine shops, automotive parts stores) while there are several relating to tourism (e.g., traveller accommodation, gasoline stations, beer and liquor stores).

Table 2. Highly-concentrated Industries in Elk Valley Municipalities, 2006

Industry (with NAICS* code)	Jobs in Elk Valley Municipalities	Job Concentration relative to BC (BC=1.00)
2121 Coal mining	2,385	204.91
4172 Construction, forestry, mining, and industrial machinery, equipment and supplies wholesaler-distributors	195	6.81
4413 Automotive parts, accessories and tire stores	95	5.53
5622 Waste treatment and disposal	35	5.44
4854 School and employee bus transportation	20	4.31
2373 Highway, street and bridge construction	55	3.21
3327 Machine shops, turned product, and screw, nut and bolt manufacturing	30	3.20
5324 Commercial and industrial machinery and equipment rental and leasing	25	3.00
2131 Support activities for mining and oil and gas extraction	40	2.82
3323 Architectural and structural metals manufacturing	55	2.43
8129 Other personal services	35	2.42
4841 General freight trucking	90	2.36
7211 Traveller accommodation	255	2.13
4453 Beer, wine and liquor stores	35	2.10
2362 Non-residential building construction	40	1.90
8113 Commercial and industrial machinery and equipment (except automotive and electronic) repair and maintenance	30	1.89
4471 Gasoline stations	60	1.79
9130 Local, municipal and regional public administration (9131 to 9139)	160	1.52

*NAICS is North American Industrial Classification System. It is the standard system used by Statistics Canada, as well as statistical authorities in the United States and Mexico, to categorize industries.

Source: Statistics Canada Census

Table 3 shows employment for the residents of Elk Valley municipalities, regardless of where they work. The mining-related sector also ranks highest with a concentration more than 28 times as large as BC overall.

The other sectors that are shaded in the table are also relatively more concentrated in the Elk Valley. While accommodation and food services and real estate are only slightly more prevalent, the arts, entertainment and recreation sector has nearly double the number of jobs relative to BC.

Table 3. Employment by Sector for Residents of Elk Valley Municipalities, 2011

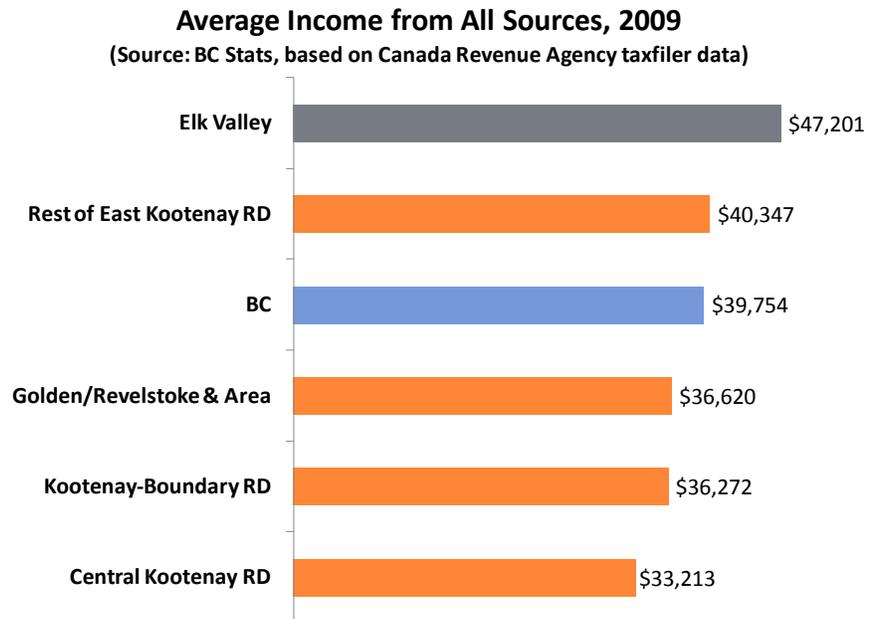
Sector (with NAICS* code)	Employment	Job Concentration relative to BC (BC=1.00)
21 Mining, quarrying, and oil and gas extraction	1,940	28.46
62 Health care and social assistance	570	0.85
72 Accommodation and food services	515	1.07
23 Construction	375	0.77
44-45 Retail trade	340	0.48
91 Public administration	305	0.79
71 Arts, entertainment and recreation	300	1.97
81 Other services (except public administration)	300	0.99
61 Educational services	300	0.67
41 Wholesale trade	240	0.99
48-49 Transportation and warehousing	205	0.64
31-33 Manufacturing	160	0.40
53 Real estate and rental and leasing	155	1.06
52 Finance and insurance	140	0.57
56 Administrative & support, waste management & remediation services	100	0.38
54 Professional, scientific and technical services	90	0.19
11 Agriculture, forestry, fishing and hunting	35	0.21
51 Information and cultural industries	15	0.09
22 Utilities	0	0.00
55 Management of companies and enterprises	0	0.00
Total	6,175	1.00

*NAICS is North American Industrial Classification System. It is the standard system used by Statistics Canada, as well as statistical authorities in the United States and Mexico, to categorize industries.

Source: Statistics Canada Census

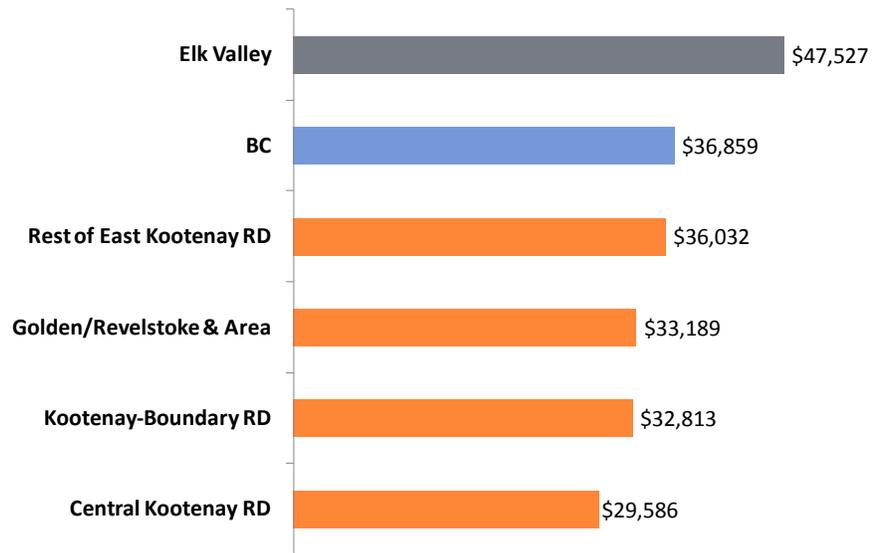
2.6. INCOME

Based on actual 2009 income tax returns (the latest year for which data is available), the Elk Valley has significantly higher average incomes than the comparison regions. (Note this data includes all people who reported some income, including those working part-time or with only non-employment income sources.)



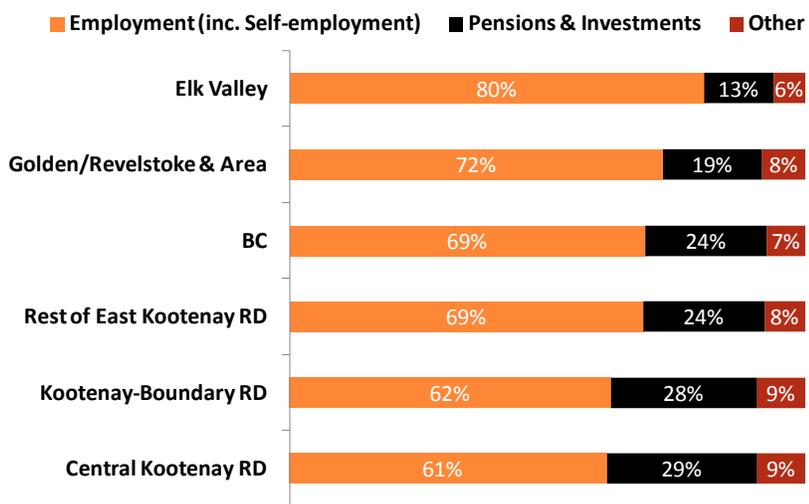
This chart shows that most of the difference in incomes is due to the very high average employment incomes in the Elk Valley, driven primarily by mining. All of the other comparison regions have lower employment incomes than the BC average, but the Elk Valley has incomes 29% higher.

Average Employment Income, 2009
(Source: BC Stats, based on Canada Revenue Agency taxfiler data)



Given the previous chart, it is not surprising that the Elk Valley derives a greater share of total income from employment (80%) than the other regions. Conversely its share of income from pensions and investments, which is typically associated with the retiree population, is lower at 13% of the total.

Share of Total Regional Income from Employment, 2009
(Source: BC Stats, based on Canada Revenue Agency taxfiler data)

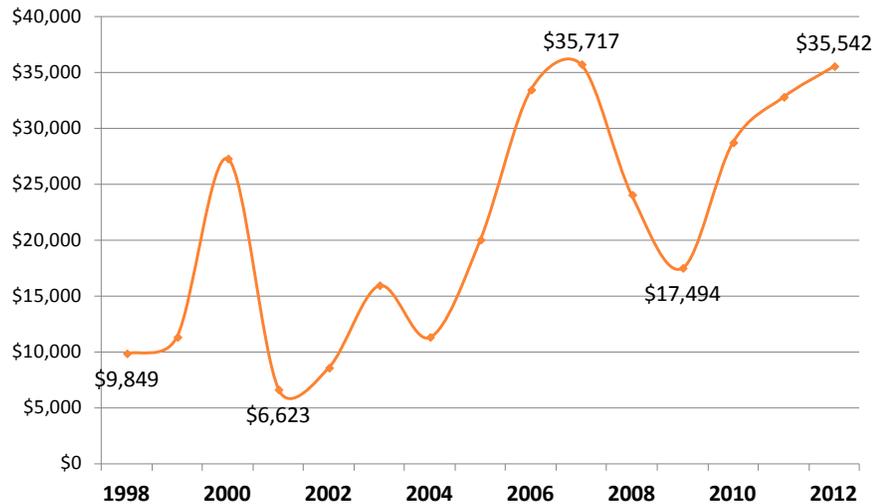


2.7. DEVELOPMENT ACTIVITY

The level of development activity in the Elk Valley (municipalities only) has generally followed ups and downs in the provincial economy with 2012 marking the third consecutive year of increase following the sharp recession-induced drop in 2009. The 2012 total of \$35.5 million is just below the record high of 35.7 million reached in 2007.

Total Building Permit Values, Elk Valley Municipalities, 1998-2012 (\$ thousands)

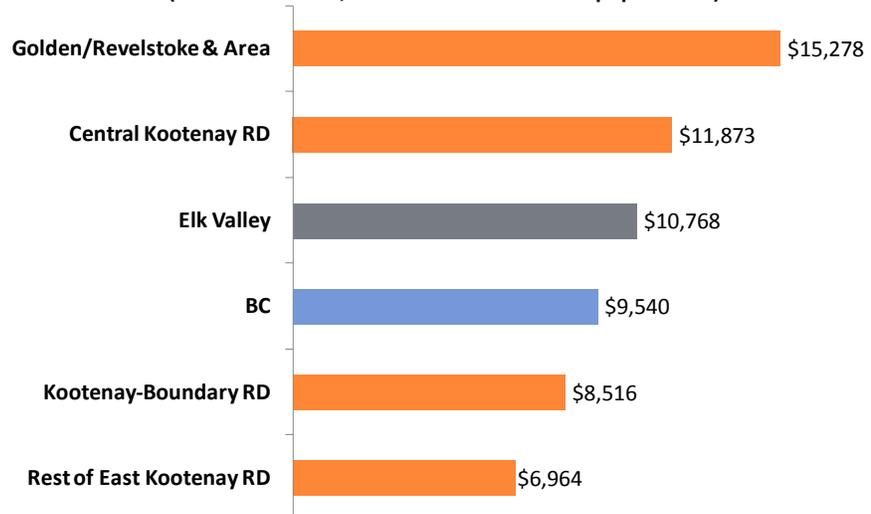
(Source: BC Stats, based on Statistics Canada data)



One simple way to compare the level of building activity across different regions is a per-capita measure. In the post-recession period from 2009 to 2012, the Elk Valley municipalities issued nearly \$10,800 of building permits per capita, somewhat higher than the BC average and ranking in the middle of the comparison group.

Total Building Permit Values per Capita, Municipalities Only, 2009 to 2012

(Sources: BC Stats, Statistics Canada Census populations)

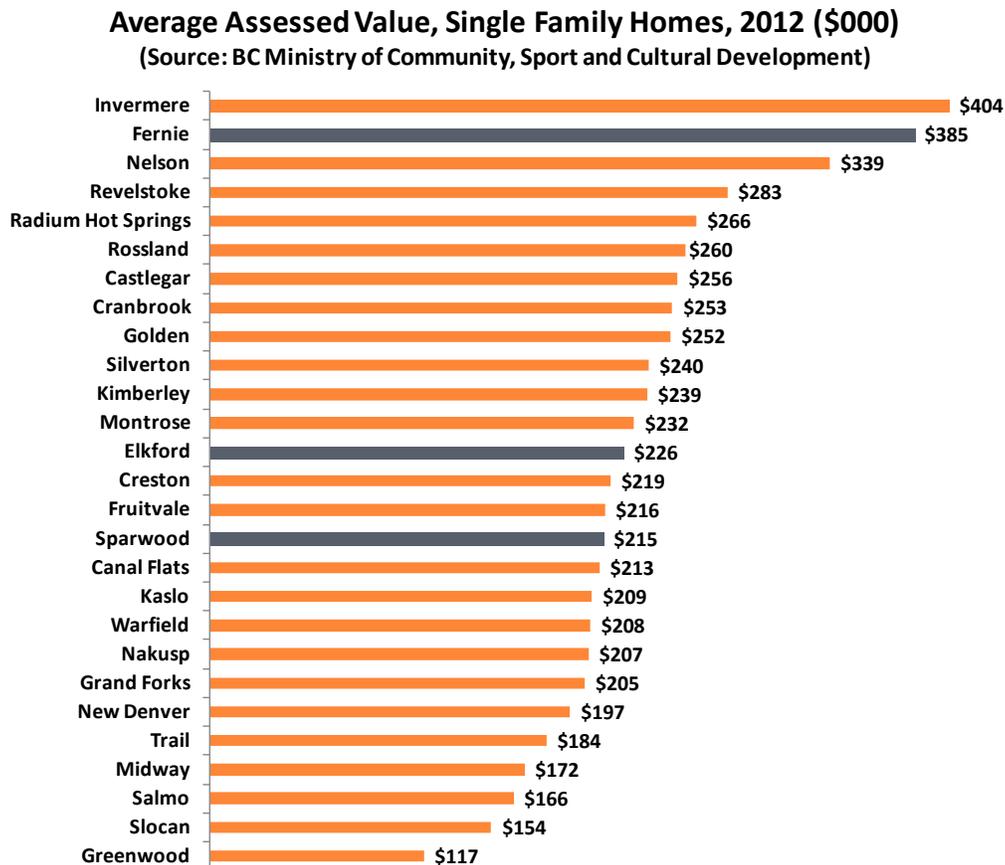


2.8. HOUSING PRICES

In the absence of comprehensive market housing data for the Elk Valley and surrounding areas, the average assessed value of single family homes can be used to assess relative housing costs. While assessed values typically vary somewhat from market housing costs, the data is consistent across all communities and includes all single family homes, not just those on the market in a particular year.

Of course the average size and value of homes varies from place to place, with higher cost communities also likely to have somewhat higher quality homes, but the data still provides a useful indicator of the costs of single family home ownership in each community.

The chart below shows the average value for all 25 municipalities in the Kootenay region, plus Golden and Revelstoke. Fernie has the second most costly housing in this group while Elkford and Sparwood are closer to the mid-range, ranking 13th and 16th respectively.

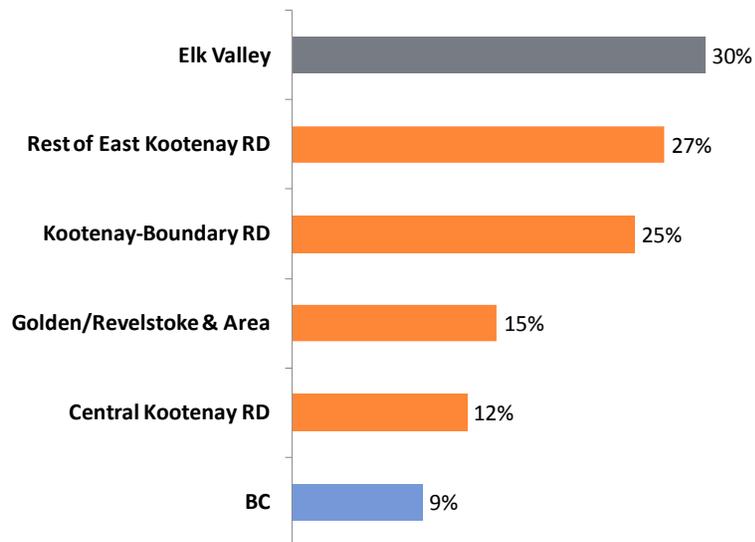


Overall the Elk Valley has relatively similar housing costs as neighbouring regions, with a wide range of prices within the region. It does appear, however, that the Elk Valley lacks the lower-cost housing prevalent in some of the smaller communities in the region (and Trail).

2.9. RECREATIONAL HOUSING

The Elk Valley has a high percentage of its housing units in recreational or seasonal housing. Whereas only 9% of housing units in BC overall are not occupied by usual residents (meaning they are empty or occupied on a temporary basis), 30% of Elk Valley housing units fall into this category. The rest of the East Kootenay region and the Kootenay-Boundary RD also have much higher rates of recreational housing than the provincial average.

Housing Units NOT Occupied by Usual Residents, 2011
(Source: Statistics Canada Census)



(Note this data includes units that are empty for any reason, such as newly constructed units or rental units temporarily vacant, but overall it is believed to provide a good indicator of recreational and season housing use).

2.10. SUMMARY OF COMPETITIVE POSITION

The following competitive advantages and disadvantages are derived from the statistical review in this chapter, as well as the review of previous studies conducted in the region and input from community members at the two Economic Opportunities Workshops. The purpose of the competitive summary is not to list every possible advantage and disadvantage for the region but to focus on the issues that are **most important from an investment attraction perspective**.

ADVANTAGES

- Lifestyle, including the mountain culture of the Elk Valley, the natural beauty of the surrounding area, the outdoor recreational opportunities (e.g., ski hills, fishing) and high-quality community amenities (e.g., swimming pools, arenas, Elkford Conference Centre). Note the lifestyle factor was cited repeatedly in the community workshops in reference to new entrepreneurs who chose the Elk Valley for lifestyle reasons.

- Strong transportation corridor with Highway 3 and rail connections to the coast, along with associated logistics expertise related to goods movement.
- High workforce concentration in engineering and trades-related fields.
- Proximity to significant and expanding mining activity that creates associated business opportunities and also pays high wages, thus increasing disposable income.
- Tax incentives in the form of no development cost charges (DCCs) in two communities (Elkford and Sparwood) and a downtown revitalization tax exemption in Sparwood to encourage business expansion and development.
- Potentially available labour force from the families/spouses of mining employees (although barriers to the labour force participation of this group, most notably childcare availability, have been raised).
- Available and affordable natural gas and water connections for commercial and industrial users.

DISADVANTAGES

- Aging population and flat or declining labour force growth.
- Limited supply of industrial land, particularly larger parcels.
- Proximity to Alberta and the United States where sales taxes and prices are lower for many goods and services.
- Limited supply of office and meeting space.
- Limited availability of post-secondary education and training.
- Lower workforce concentration of university grads relative to BC, with particular low number of science, math & computer science graduates
- Strength of the mining sector creates tough competition for other businesses in attracting and retaining skilled labour, especially in trades occupations, because they are unable to pay comparable wages.
- Limited services and recreation opportunities for retired demographic.

3. DETAILED ANALYSIS OF INVESTMENT OPPORTUNITIES

Various investment attraction opportunities for the Elk Valley either through past studies or the community workshops. The purpose of this section of the report is to evaluate these potential opportunities and identify a short list of the best possible targets for a future Elk Valley investment attraction initiative.

3.1. OPPORTUNITIES

The following list of potential investment opportunities for the Elk Valley has been identified through a review of previous studies on the regional economy, as well as discussions at the February 13 workshops.

1. Mining service firms, such as health and safety training contractors, with a particular focus on companies that would also locate some administrative/head office functions in the Elk Valley
2. New mine development
3. Tourism product development, including a variety of niche products (e.g., snowmobile market in Elkford/Sparwood, complementary activities for Fernie Alpine Resort)
4. Education and/or research institutes (public or private sector)
5. Alternative energy (e.g., bio-energy)
6. Amenity-driven entrepreneurs in technology, professional services or niche manufacturing (or any higher-value, export-oriented¹ business where the company owners choose the Elk Valley for quality of life reasons)
7. Accommodation properties
8. Health services, including seniors housing

3.2. EVALUATION FRAMEWORK

The evaluation framework has three types of criteria:

1. **The Elk Valley's appeal to each industry.** In other words, if businesses in each opportunity/industry evaluated the Elk Valley compared to other regions, how would it compare as a potential investment location?
2. **Each industry's appeal to the Elk Valley.** Given the limited resources for economic development initiatives, it makes sense to focus efforts on industries/opportunities that will create the biggest

¹ Export-oriented refers to trading beyond just the local area, not necessarily exporting internationally.

benefit for the Elk Valley. In other words, if the region could have its pick of all possible opportunities, which provide the most "bang for the buck?"

3. **Possible influence by investment attraction initiatives.** Different industries/opportunities have different probabilities for success, based on global trends, characteristics of the industry, whether it is currently active in similar BC communities, whether there are existing ties to the Elk Valley, and other factors. This is a somewhat subjective measure, but it is believed that the location decisions of some industries are driven by factors largely out of local control, whereas others are more likely to be influenced by a successful local initiative. Limited resources should be focused on the opportunities that are more likely to be successfully influenced.

LOCATION FACTORS (ELK VALLEY'S APPEAL TO EACH INDUSTRY)

As noted above, the rating for each of the **Location Factors** is from the perspective of investors in that industry who are evaluating Oceanside as a potential investment location. If Oceanside has an attractive labour force for that industry, for example, it will score positively but might score negatively for market access. If a particular location factor is unimportant for the industry, it receives a neutral rating.

The specific factors that are evaluated:

1. **Labour Force.** Reflects the quality and availability of a suitable labour force and the local advanced education and training possibilities (if required).
2. **Real Estate.** Reflects the availability, suitability and cost of land and leasable space.
3. **Access to Markets.** Reflects how easily an Oceanside-based business can access its target market. If the target market is the local area, the strength of the local market for this industry is evaluated.
4. **Access to Key Business Inputs.** Reflects how easily an Elk Valley-based business can access the key inputs it requires, which may include natural resources or essential support services.
5. **Infrastructure.** Reflects the suitability of telecommunications and utilities infrastructure.
6. **Openness to Investment.** Certain types of investments in British Columbia have a tendency to attract public and political attention beyond the standard regulatory process (e.g., mines, run-of-river power projects). Investments requiring some level of regulatory approval, whether provincial or local, that are likely to attract some public or political opposition are rated more poorly due to the additional uncertainty created.

7. **Quality of Life.** Reflects the fit between the Elk Valley lifestyle and the typical lifestyle requirements for each type of opportunity.

Rating Scale for Location Factors

The Elk Valley area is evaluated on a relative basis compared to other communities that might also attract the same type of investment. The rating scale is:

- +2 Strongly positive
- +1 Positive
- 0 Neutral (neither positive nor negative)
- 1 Negative
- 2 Strongly negative

ECONOMIC IMPACT FACTORS (EACH INDUSTRY'S APPEAL TO THE ELK VALLEY)

The next criteria are the **Economic Impact Factors**, which evaluate each potential opportunity in terms of its potential economic benefit for the Elk Valley. Clearly if there are limited resources for investment attraction then effort should be focused on the opportunities with the greatest payoff, all else being equal.

8. **Employment Impact.** Opportunities that would create more new jobs in the Elk Valley are rated higher. This includes the direct employment in that target industry plus the local "spinoff" employment. The spinoffs include indirect employment created in companies that are suppliers to the new direct industry, as well as induced employment created to supply day-to-day goods and services for the extra employees (e.g., grocery stores, hair salons, auto repair). Data on average firm size and economic impact multipliers are used in the evaluation.
9. **Job Quality.** While the Elk Valley is fortunate to already have many opportunities for well-paying employment, there are limited high-paying jobs in sectors outside of mining. There are also many features of a job that help determine its quality, but all else being equal, the level of pay is an excellent proxy as it is generally associated with good benefits, quality working conditions and a high degree of personal autonomy.
10. **Tax Base Impact.** One of the benefits of economic development that is particularly important for local governments is the impact on the non-residential property tax base. Industries that require more and/or higher-value real estate are therefore rated more highly as they will ultimately contribute more in property taxes.
11. **Economic Diversification.** Increasing the level of diversification in the Elk Valley economy is another beneficial outcome of an investment attraction initiative as a more diversified economy will help cushion the Elk Valley from downturns in any particular sector (especially mining). Diversification should not often be pursued as a primary economic development goal because it

tends to divert the focus on a community's greatest competitive advantages, but as a secondary consideration those opportunities that would enhance regional diversification are rated higher.

The number of jobs created, average wages and non-residential property tax impact of any potential investment depends on the specific details of that investment, but average information by industry can help to show which types of opportunities generally have larger impacts. Another consideration is that some investment attraction initiatives could attract multiple companies in the target sector while others might only attract one or two companies.

The first part of section 0 provides some of the detailed data used in the evaluation, but each rating still requires some judgment on the potential impact. The rating scales for each factor are summarized below.

Rating Scale for Employment Impact

+4	More than 50 jobs
+3	25-50 jobs
+2	10-24 jobs
+1	Less than 10 jobs
0	0 jobs

Rating Scale for Job Quality

(Average weekly wages are a proxy for Job Quality. The BC average weekly wage in 2012 was \$854.)

+3	Average weekly wage in BC above \$1,100 (significantly above provincial average)
+2	Average \$900-\$1,100 (above provincial average)
+1	Average \$700-899 (somewhat below to just above provincial average)
0	Average below \$700 (well below provincial average)

Rating Scale for Tax Base Impact

+2	Strongly positive
+1	Positive
0	Minimal

Rating Scale for Economic Diversification

+1	Increases diversification
0	Little or no impact on diversification

Note that the maximum score varies for each of these factors based on their relative importance. In other words, the total employment impact is considered to be the single most important outcome of an investment attraction initiative, followed by average wage, then tax base impact and finally economic diversification.

ECONOMIC DEVELOPMENT INFLUENCE

12. Economic Development Influence. This final criteria factor is a type of reality check. Even if an opportunity scores favourably in most areas, how open is the target sector to being influenced by an Elk Valley investment attraction initiative? If investment decisions are driven entirely by factors beyond local influence, there is little benefit to be gained from targeting the sector.

Rating Scale for Economic Development Influence

- +2 Strong influence - economic development initiatives can make a real difference
- +1 Moderate influence - economic development initiatives likely have some influence, but may not be decisive
- 0 Little or no influence - economic development initiatives are unlikely to determine success or failure

TOTAL RATING

The **Total Rating** is determined by multiplying the Location Factors score, the Economic Impact Factors score and the Economic Development Influence score, as demonstrated in the table to the right. This exercise does not provide a comprehensive feasibility analysis, but a useful sorting of the potential opportunities.

Those that score well across most dimensions should be considered the top potential investment attraction targets. Those that score lower may still have growth potential, but on balance are considered a lower priority for a dedicated investment attraction initiative.

Evaluation Criteria	Maximum Rating
Labour Force	+2
Real Estate	+2
Access to Markets	+2
Access to Key Business Inputs	+2
Infrastructure	+2
Openness to Investment	+2
Quality of Life	+2
(1) Total Location Factors	+14
Employment Impact	+4
Job Quality	+3
Tax Base Impact	+2
Economic Diversification	+1
(2) Total Economic Impact Factors	+10
(3) Economic Development Influence	+2
Overall Rating (1) x (2) x (3)	+280

3.3. RATING THE OPPORTUNITIES

Several of the economic impact factors rely on statistical data to help determine the rating for a given opportunity. In support of the Employment Impact factor, Table 4 shows the estimated number of jobs in each sector in the East Kootenay Regional District as of the last Census in 2006. It is always possible that a specific opportunity pursued for the Elk Valley could be larger or smaller than the average for its sector, but this table provides an overall picture of the typical size of each type of business.

Table 4. Estimated Jobs per Business, by Industry for Kootenay Development Region, 2006

NAICS* Sector	Estimated Jobs per Business
Public Administration	74
Mining & Oil & Gas Extraction	50
Educational Services	42
Manufacturing	12
Information & Cultural Industries	11
Health Care & Social Assistance	11
Utilities	9
Arts, Entertainment & Recreation	9
Accommodation & Food Services	8
Retail Trade	7
All Sectors	6
Wholesale Trade	5
Transportation & Warehousing	5
Administrative & Support, Waste Management & Remediation	5
Finance & Insurance	4
Other Services (excl. Public Administration)	4
Agriculture, Forestry, Fishing & Hunting	3
Construction	3
Professional, Scientific & Technical Services	3
Real Estate & Rental & Leasing	1

*North American Industry Classification System

Sources: Statistics Canada Business Register (December 2006), Statistics Canada Census

In addition to the direct number of jobs in each target sector, sectors that are "tradable," meaning they sell to markets beyond the local area, have a local employment multiplier calculated by BC Stats and shown in Table 5. These multipliers include the indirect and induced effects (indirect is the employment impact on the industries that supply the direct industry; induced is the employment impact on household-serving industries where the additional employees spend their money).

For example, the table shows that each local job in high technology supports an additional 0.48 jobs in the local area. This is a larger impact than the public sector (including health and education) which

supports 0.25 additional local jobs per direct job, but lower than mining, which supports 0.61 additional local jobs. The size of the multiplier is generally based on how much each industry spends locally on supplies and services, as well as the income level of employees. Higher-paid employees spend more locally so the induced impact is greater.

Table 5. Local Employment Multipliers for the Elk Valley, 2006

Traded Industry	Additional Local Jobs per Direct Job
Mining	0.61
Sawmills	0.52
High Technology	0.48
Construction	0.44
Logging	0.35
Other Wood Manufacturing	0.31
Public Sector	0.25
Miscellaneous Manufacturing	0.22
Agriculture	0.17
Tourism	0.16

*The local multipliers shown in the table include both indirect and induced in a long-run scenario.
Source: BC Stats (March 2009), *British Columbia Local Area Economic Dependencies: 2006*.

The rating for Job Quality is based on earning potential. Average weekly wages for 2012 in BC are shown in Table 6.

Table 6. Average Weekly Wages by Sector in British Columbia, 2012

Sector	Average Weekly Wages
Forestry, Fishing, Mining, Oil & Gas	\$1,326
Utilities	\$1,275
Public Administration	\$1,179
Professional, Scientific, Technical Services	\$1,117
Construction	\$1,001
Manufacturing	\$995
Educational Services	\$977
Transportation & Warehousing	\$970
Finance, Insurance, Real Estate, Leasing	\$948
Overall BC Average	\$854
Health Care & Social Assistance	\$846
Retail & Wholesale Trade	\$635
Agriculture	\$572
Accommodation & Food Services	\$444

Source: Statistics Canada Labour Force Survey

1. MINING SERVICE FIRMS

Evaluation Criteria	Rating	Notes/Comments
Labour Force	2	Well-established workforce with relevant industry experience and technical training.
Real Estate	-1	There is a limited supply of industrial land and office space has also been identified as a shortage in the region.
Access to Markets	2	The market is mines in the Elk Valley and the consolidation of operations into Teck creates a single point of contact.
Access to Key Business Inputs	0	Key business inputs will vary depending on the type of business. Servicing firms requiring regular supplies of chemical products or machinery and parts may be less likely to locate in the Elk Valley compared to more services-oriented firms (such as those providing health training).
Infrastructure	0	Other than land, there are not believed to be constraints with respect to water, sewer, natural gas or telecommunications systems.
Openness to Investment	0	No challenges anticipated.
Quality of Life	1	Relative to some other mining-intensive areas, the amenities and recreational opportunities of the Elk Valley are a positive.
(1) Location Score (sum of above)	4	
Employment Impact	3	The potential exists for several smaller firms, perhaps in the range of 3-10 employees each that would each generate some local induced employment from the personal spending of company employees.
Job Quality	3	Mining-related technical and professional positions pay among the highest wages in the province.
Tax Base Impact	1	Somewhat positive impact through increased activity, and hence higher assessed values, on industrial and commercial properties.
Economic Diversification	0	Represents growth in an existing industry strength.
(2) Economic Impact Score (sum of above)	7	
(3) Economic Development Influence	1.5	Given the strength of the market opportunity for mine servicing firms in the Elk Valley (and the potential for even greater opportunities in the future if new mine development occurs), plus the strong partnership between Teck and local communities, there is believed to be significant potential to make the case for mine servicing firms to expand their operations in the region. The only caveat is that mining service firms are likely already aware of opportunities in the Elk Valley given the prominence of the mining sector and if they believe a local location is advantageous, will take steps to secure one without any influence by economic developers.
Overall Rating (1) x (2) x (3)	42	

2. NEW MINE DEVELOPMENT

Evaluation Criteria	Rating	Notes/Comments
Labour Force	1	A significant mining workforce already exists but there is already insufficient labour residing in the local area so at least some of the needed workers for a new mine would need to be recruited to the area.
Real Estate	0	Generally not relevant as mines are located wherever the resource is found, but mining companies may require some office or industrial space that is in limited supply.
Access to Markets	2	Transportation linkages for moving coal or other mining products to port are well-established and not a barrier.
Access to Key Business Inputs	2	Natural resources in the region are the main attraction for this opportunity.
Infrastructure	0	A new mine would construct the additional infrastructure it requires, connecting to existing systems in the region.
Openness to Investment	-1	Even though coal mining is well entrenched in the Elk Valley, expansion into new mine sites can be expected to generate some degree of public and political opposition.
Quality of Life	0	Not a significant factor.
(1) Location Score (sum of above)	4	
Employment Impact	4	Even though new mines are likely to be smaller, at least initially, than the existing mines in the region, the employment impact is significant. The spinoff benefits are also substantial.
Job Quality	3	Mining is the highest-paying sector in BC.
Tax Base Impact	2	New mines would have a substantial positive impact on the local/regional tax base.
Economic Diversification	0	Represents growth in an existing industry strength.
(2) Economic Impact Score (sum of above)	9	
(3) Economic Development Influence	0.5	There may be some potential for the local economic development committee to facilitate mine development, it is much more influenced by global market trends and permitting processes at the provincial level.
Overall Rating (1) x (2) x (3)	18	

3. TOURISM PRODUCT DEVELOPMENT

Evaluation Criteria	Rating	Notes/Comments
Labour Force	-1	There is not a large labour pool in the area and population projections suggest prime working-age residents will be in decline. With a tighter labour supply, competition with higher-paying mining-related jobs will further restrict available labour for tourism-oriented businesses.
Real Estate	0	The real estate requirements for new tourism-oriented businesses vary significantly depending on the type of business so some potential opportunities could be affected by the overall shortage of available and affordable space. But others will be accommodated within commercial areas or other suitable locations.
Access to Markets	1	Businesses benefit from the strong tourist market in the Elk Valley, including Fernie Alpine Resort's status as a top-10 resort destination in BC with nearly 400,000 skier-visits per year. The overall tourism market in BC and the Kootenay Rockies region was affected by the 2008 recession and modest growth has returned and most indicators are now ahead of where they were five years ago (e.g., room revenues, number of parties at Visitor Information Centres, highway traffic through Crowsnest Pass). Continued modest growth is a reasonable expectation, with the caution that tourism is a discretionary activity and highly responsive to overall economic conditions, so the continuing uncertainty in the US and global economies limits the medium term growth outlook. The Elk Valley is also in competition with other mountain resort destinations in BC, Alberta and the US and activities beyond just skiing are likely needed to significant expand the tourism market.
Access to Key Business Inputs	1	The region's natural attributes are a key business input for many types of nature-based or outdoor recreation tourism services, although at least some of these attributes are similar to other BC and Alberta communities so the relative advantage may not be significant. Snowmobiling may be a specific niche product that is more unique to the Elkford/Sparwood area.
Infrastructure	0	Other than land, there are not believed to be constraints with respect to water, sewer, natural gas or telecommunications systems.
Openness to Investment	0	It is possible for some new tourism product offerings that expand the use of natural areas to face some public opposition, but overall most new developments in this category are unlikely to be challenged.
Quality of Life	1	Having a strong tourism market that appeals to visitors often goes hand in hand with having an attractive quality of life that appeals to residents.
(1) Location Score (sum of above)	2	

Evaluation Criteria	Rating	Notes/Comments
Employment Impact	2	There is a wide range of possible employment impacts depending on the type of tourism product developed. Given the generally slow growth in the current tourism market, perhaps 15-20 new employees spread across several companies is a reasonable goal for the short term. These would support 2-3 additional spinoff jobs. Note these impacts are only incremental to the regional economy if they are leading to an increased number of tourists or increased tourist spending - otherwise they are likely simply redistributing employment within the existing tourism sector.
Job Quality	0	Tourism-reliant industries typically pay among the lowest wages.
Tax Base Impact	1	Most likely outcome is for some modest new development that would somewhat enhance the non-residential tax base.
Economic Diversification	0	Tourism is already a significant component of the Elk Valley economy.
(2) Economic Impact Score (sum of above)	3	
(3) Economic Development Influence	1	The potential for success in attracting outside investment in tourism product development naturally depends on the type of product, but there is a long history of communities in BC attracting investment in major new tourism developments, such as ski resorts. The current outlook for modest growth is likely to limit interest to smaller investments rather than major new destination attractions.
Overall Rating (1) x (2) x (3)	6	

4. ACCOMMODATION PROPERTIES

Evaluation Criteria	Rating	Notes/Comments
Labour Force	-1	There is not a large labour pool in the area and population projections suggest prime working-age residents will be in decline. With a tighter labour supply, competition with higher-paying mining-related jobs will further restrict available labour for tourism-oriented businesses.
Real Estate	0	While there is generally a shortage of affordable developable land, it is assumed that one or two sites can be identified for a development as significant as a new hotel.
Access to Markets	2	As noted under Opportunity #3 above, the current regional tourism market is strong with expectations of modest growth in the future given competition and the uncertain global economic outlook. However, the accommodation opportunity is significantly bolstered by demand from business travels, particularly in Elkford and Sparwood from mining-related travel (including shift workers staying in hotels while in the area). There is also potential to expand services related to conferences and business meetings.
Access to Key Business Inputs	0	Support services are already in place for existing accommodation and resort properties.
Infrastructure	0	Other than land, there are not believed to be constraints with respect to water, sewer, natural gas or telecommunications systems.
Openness to Investment	0	No challenges anticipated.
Quality of Life	1	Having a strong tourism market that appeals to visitors often goes hand in hand with having an attractive quality of life that appeals to residents.
(1) Location Score (sum of above)	2	
Employment Impact	2	Perhaps 10-20 jobs would be created by a new accommodation property, with 2-3 indirect and induced jobs. Ideally a new property is somewhat unique in the services it offers (e.g., providing additional meeting space) and can help to expand the regional tourism market rather than simply redistributing visitors from other accommodation properties.
Job Quality	0	Tourism-reliant industries typically pay among the lowest wages.
Tax Base Impact	1	As this opportunity likely includes only a single new property in the short term, the tax base impact is positive but not exceptionally high.
Economic Diversification	0	Tourism is already a significant component of the Elk Valley economy.
(2) Economic Impact Score (sum of above)	3	
(3) Economic Development Influence	1.5	There is good potential for local economic developers to attract a new accommodation property, provided the business case is sufficiently strong.
Overall Rating (1) x (2) x (3)	9	

5. EDUCATION AND/OR RESEARCH INSTITUTES

Evaluation Criteria	Rating	Notes/Comments
Labour Force	0	The Elk Valley population has a relatively low rate of university completion, which is typically required for teaching and senior administrative positions in education or research institutions. On the plus side there are many residents with engineering and similar backgrounds, if the new institutions had a technical or mining-oriented focus.
Real Estate	0	Discussions have started with respect to an expansion of the Fernie campus of College of the Rockies, which is the most likely route to expansion in this sector, in which case the site is already secured. Other new institutions - whether public or private - are likely to locate in leased office space, at least initially and would therefore compete for limited space. New campus-style developments would face the limited supply of affordable land.
Access to Markets	1	New educational facilities could target local residents or visiting students (including international students) who are attracted to the Elk Valley's recreational amenities while studying. The strong and ongoing demand for new workers from the region's major sectors, especially mining and tourism (and forestry to some degree) suggest strong industry support for expanded training programs to both attract and retain potential students.
Access to Key Business Inputs	0	Not a significant issue for this opportunity.
Infrastructure	0	Other than land, there are not believed to be constraints with respect to water, sewer, natural gas or telecommunications systems.
Openness to Investment	0	No challenges anticipated.
Quality of Life	0	Many BC communities have an attractive quality of life for visiting students, including international students, so there is no particular advantage for the Elk Valley.
(1) Location Score (sum of above)	1	
Employment Impact	2	Attracting a single new educational facility to the Elk Valley would be a successful initiative and total employment would be unlikely to exceed 10 jobs, with an additional 3 jobs in local spinoffs.
Job Quality	2	Educational services pay somewhat above-average wages.
Tax Base Impact	1	Somewhat positive impact on the tax base but no significant new development.
Economic Diversification	1	Post-secondary education is significantly underrepresented in the Elk Valley.
(2) Economic Impact Score (sum of above)	6	
(3) Economic Development Influence	1	Significant growth has occurred in the last decade in British Columbia's sales of educational products around the world and the sector remains a key economic development priority at the provincial level. The level of interest already expressed in expanding the College of the Rockies campus is a positive sign, but will be affected by investment decisions of the provincial government and potential corporate partners that are not entirely within regional control.
Overall Rating (1) x (2) x (3)	6	

6. ALTERNATIVE ENERGY

Evaluation Criteria	Rating	Notes/Comments
Labour Force	1	Many residents have relevant technical and skilled trades backgrounds.
Real Estate	-1	Available industrial space is limited, particularly for larger parcels. Alternatively a location in a rural area or First Nations land could be a possibility.
Access to Markets	0	Most alternative energy projects either provide local power or heat (e.g., district heating systems, providing power for manufacturing or processing facilities) or can be connected to the grid if they are sufficiently large. There is no particular advantage or disadvantage from an Elk Valley location.
Access to Key Business Inputs	0	The specific business inputs will vary by the type of alternative energy development and the scale of the operation. A large, commercial-scale bio-mass facility designed to produce surplus energy for sale (as opposed to smaller installations that service only local communities) will require secure access to a significant quantity of bio-mass. The Elk Valley has some advantages given its well-developed transportation infrastructure and the possibility of importing bio-mass or other material (e.g., municipal solid waste) from elsewhere by rail. But if physical proximity is the deciding factor, other BC locations are likely closer to available sources like mountain pine beetle-affected forest or significant sawmill or agricultural operations. Another possibility that has been raised is bio-mass mixed with coal by-product as fuel, but the viability is currently unknown.
Infrastructure	0	Other than land, there are not believed to be constraints with respect to water, sewer, natural gas or telecommunications systems.
Openness to Investment	0	It is possible for any significant new industrial operation to be opposed, but the environmental benefits of alternative energy generation should mitigate these challenges.
Quality of Life	0	Not a significant factor.
(1) Location Score (sum of above)	0	
Employment Impact	1	The direct employment in an alternative energy facilities would be relatively small, perhaps 5-7 jobs with an additional 1-2 spinoff jobs. Job impacts are even smaller for the community-scale facilities that are most likely to be developed in the region.
Job Quality	2	Manufacturing industries pay above-average wages.
Tax Base Impact	1	Somewhat positive impact on the tax base but no significant new development.
Economic Diversification	0.5	Is a relatively modest opportunity in terms of its overall economic impact and ability to drive the regional economy, but it does represent growth in a new area.
(2) Economic Impact Score (sum of above)	4.5	
(3) Economic Development Influence	1	There is some potential for local economic developers to attract an alternative energy operation, provided the business case is sufficiently strong.
Overall Rating (1) x (2) x (3)	0	

7. AMENITY-DRIVEN ENTREPRENEURS

Evaluation Criteria	Rating	Notes/Comments
Labour Force	0	The pre-existing resident labour force is not as relevant for this opportunity as the key positions are new residents to the region.
Real Estate	0	This opportunity covers a wide range of potential businesses so the overall shortage of available, affordable space is a potential limiting factor for some opportunities. High housing costs, especially in Fernie, are another concern but overall are not out of line with comparable BC regions and are significantly lower than in potential target markets like major urban centres and can be marketed as an advantage, particularly in Elkford and Sparwood.
Access to Markets	0	By definition amenity-driven entrepreneurs are not concerned with physical distance to markets and will make whatever adaptation is required. The Elk Valley also has heavily-used transportation routes by road and rail.
Access to Key Business Inputs	0	Not a significant issue for this opportunity.
Infrastructure	0	Telecommunications and transportation linkages are particularly important for attracting new entrepreneurs, especially if they wish to maintain business relationships with prior employers or partners. The region is somewhat limited by the distance to the closest airport in Cranbrook, but the likelihood of enhanced flight connections help to mitigate any downside.
Openness to Investment	0	No challenges anticipated.
Quality of Life	1	Amenity-driven entrepreneurs and independent professionals have a range of lifestyle interests and the Elk Valley will not appeal to all of them, but for those interested in what the region can offer, there is a competitive advantage. This factor is not rated higher because some other BC regions have a similar package of assets.
(1) Location Score (sum of above)	1	
Employment Impact	3	The potential employment impacts are difficult to assess but might influence perhaps 5-10 new entrepreneurs over the next few years who might create an additional 1-2 direct jobs per company and a further 5-10 spinoff jobs (for a total employment impact of 20-40 jobs).
Job Quality	2	The wide range of possible industries covered by this opportunity means that a wide variety of possible wage rates are possible. Most independent entrepreneurs, however, have specialized skills and therefore gravitate to higher-value work that would tend to pay employees reasonably well.
Tax Base Impact	1	A positive impact, but this opportunity may also feature a certain degree of home-based employment that minimizes the uptick in industrial and commercial taxes.
Economic Diversification	1	The wide range of potential industries covered by this opportunity

Evaluation Criteria	Rating	Notes/Comments
		would help to diversify the Elk Valley economy.
(2) Economic Impact Score (sum of above)	7	
(3) Economic Development Influence	2	There is an established track record of economic development agencies attracting migrants, including international immigrants, to smaller communities as both workers and entrepreneurs.
Overall Rating (1) x (2) x (3)	14	

8. HEALTH SERVICES, INCLUDING SENIORS HOUSING

Evaluation Criteria	Rating	Notes/Comments
Labour Force	-1	There is no particular expertise in health-related fields among the Elk Valley labour force and the potential decline of the working age population will further increase competition for quality staff.
Real Estate	-1	New health services are likely to locate in leased office space. Seniors housing developments would face the limited supply of affordable land.
Access to Markets	-1	Compared to some other BC communities and regions, the Elk Valley has a smaller population of seniors and is not a major retirement destination. This limits the potential market compared to some other locations.
Access to Key Business Inputs	0	Not a significant issue for this opportunity.
Infrastructure	0	Other than land, there are not believed to be constraints with respect to water, sewer, natural gas or telecommunications systems.
Openness to Investment	0	No challenges anticipated.
Quality of Life	0	Not a significant factor.
(1) Location Score (sum of above)	-3	
Employment Impact	2	The focus should be on new clinics or services that would attract visitors from outside the Elk Valley in addition to servicing the local market. Successful attraction might be 2-3 such firms with up to 15 direct employees. The local employment multiplier would add about 5 more local jobs.
Job Quality	1	Health care positions pay roughly average wages.
Tax Base Impact	1	Somewhat positive impact on the tax base but no significant new development.
Economic Diversification	0.5	Some health services are already present in the Elk Valley but additional services would help support a diversified economy.
(2) Economic Impact Score (sum of above)	4.5	
(3) Economic Development Influence	0.5	The growth of additional health services will be based to a large degree on overall population growth and growth in the number of senior citizens and is therefore likely to occur without an investment attraction initiative. Larger and more specialized health services in the public sector will involve decision-making by health authorities that are beyond local control.
Overall Rating (1) x (2) x (3)	-	

3.4. SUMMARY OF EVALUATION RESULTS

Table 7. Summary of Opportunity Ratings

Opportunity	Location Factors								Economic Impact Factors					Economic Development Influence (3)	OVERALL RATING (1 x 2 x 3)
	Labour Force	Real Estate	Access to Markets	Access to Key Inputs	Infra-structure	Openness to Investment	Quality of Life	Total (1)	Employment Impact	Job Quality	Tax Base Impact	Economic Diversification	Total (2)		
1. Mining Service Firms	2	-1	2	0	0	0	1	4	3	3	1	0	7	1.5	42
2. New Mine Development	1	0	2	2	0	-1	0	4	4	3	2	0	9	0.5	18
3. Tourism Product Development	-1	0	1	1	0	0	1	2	2	0	1	0	3	1	6
4. Accommodation Properties	-1	0	2	0	0	0	1	2	2	0	1	0	3	1.5	9
5. Education/Research Institute	0	0	1	0	0	0	0	1	2	2	1	1	6	1	6
6. Alternative energy	1	-1	0	0	0	0	0	0	1	2	1	0.5	4.5	1	0
7. Amenity-driven Entrepreneurs	0	0	0	0	0	0	1	1	3	2	1	1	7	2	14
8. Health Services	-1	-1	-1	0	0	0	0	-3	2	1	1	0.5	4.5	0.5	<0

The two highest-ranking opportunities - mining service firms and new mine development - are extensions of the Elk Valley's existing economic strengths. The attraction of amenity-driven entrepreneurs ranks third, followed by three opportunities with similar ratings - accommodation properties, tourism product development and education/research institutes.

Alternative energy and health services are the two opportunities that are clearly not recommended investment attraction targets at this time.

The "pre-feasibility" type of analysis in this report is useful for determining which opportunities have the most potential as investment attraction targets and which opportunities should be disregarded. But the rating system is not precise enough to make definitive judgments about opportunities with similar ratings, such as the cluster of ratings between 6 and 14 in the table above. Further discussion of how the Elk Valley Regional Economic Development Committee can best make use of these result is part of the conclusions and next steps in the next chapter of the report.

4. CONCLUSIONS AND NEXT STEPS

A reasonable conclusion from the analysis in this report is there is no single opportunity that should be the sole focus of investment attraction initiatives in the Elk Valley. The opportunities judged to have the greatest potential are an extension of the region's existing economic strength in the mining sector, yet one of the worthwhile goals of the Economic Development Committee should be to encourage economic diversification. A multi-pronged approach is therefore the recommended way for the Committee to proceed.

This multi-pronged approach should consider not just multiple investment attraction opportunities, but also a range of activities beyond just marketing and promotion to external investors. Investment attraction is potentially a very effective component of an overall economic development strategy as it can instantly generate new jobs and local taxes, not to mention positive publicity and a boost to community morale and reputation. But it is also one of the highest-risk strategies due to the extreme level of competition from other communities and regions and the chance that all of the time and expense dedicated to an investment attraction project will not produce tangible results.

The recommendations listed below are provided to give the Economic Development Committee examples of the possible route forward from this report. The following factors were also taken into consideration in formulating the recommendations:

- Predicting the future is very difficult and it is quite possible that opportunities not considered in this report will emerge as key growth areas in the future, so economic development initiatives should be flexible enough to accommodate and provide support for these new opportunities as they emerge.
- Investment attraction occurs not only through outward-focused marketing and promotional campaigns, but also through local initiatives that make the area more desirable as an investment location (and luckily, usually make the area more attractive for a wide range of investments beyond just the targets).
- Time and money are limited, so it is preferable to pick a smaller number of initiatives and give enough resources to succeed rather than trying to do everything at once.

RECOMMENDATIONS

1. Establish "primary" and "secondary" investment attraction targets from the list of top-ranking investment opportunities highlighted in section 3.4. Primary targets are those where the Committee is proactively pursuing investment, while secondary targets are those where support is provided when appropriate, but events are left to unfold without the Committee's proactive

involvement. This is ultimately a decision of the Committee (including how many primary targets can be pursued at the same time), but a suggested approach is the following:

- a. Mining Service Firms - a **secondary** target pending an improvement in industrial land availability (see step 2 below), plus there is good potential for the sector to grow simply as a by-product of coal mining growth without economic development influence, and finally there is no economic diversification benefit from pursuing this opportunity, which may be problematic for some stakeholders in the region.
 - b. New Mine Development - a **secondary** target given the limited local influence over this opportunity - global market conditions and provincial permitting processes will have greater influence.
 - c. Amenity-driven Entrepreneurs - a **primary** target given the strong potential for local economic development initiatives to influence this sector, the wide range of potential business sectors that can be affected, and the synergies between attracting new migrants and enhancing local quality of life for existing residents.
 - d. Accommodation Properties - a **primary** target given anecdotal evidence of a strong business case (which requires more definitive verification²) and the narrow focus of the target market that is ideally suited to an investment attraction initiative (because it won't be a scattershot marketing approach, but a clearly defined sales program where the potential target investors can be identified relatively easily).
 - e. Tourism Product Development - a **secondary** target given the undefined nature of the opportunity. At least for now, other initiatives aimed at improving the local investment climate and expanding the tourism sector will naturally support further investment in tourism product development.
 - f. Education and/or Research Institute - a **secondary** target given the ongoing initiative to expand the College of the Rockies campus in Fernie, which is the most likely way to expand this sector in the short run. There may be a role for the Regional Economic Development Committee to support this initiative, such as by identifying and marshaling private sector support, but this is still a supportive activity rather than a Committee-led approach.
2. Before embarking on any externally-focused marketing programs, consider the list of competitive disadvantages (section 2.10) to determine if there are worthwhile steps for the Committee to take to mitigate any of these weaknesses. Particular attention should be paid to any issues that are important to the primary investment targets, but also to issues that are pervasive across many opportunities, such as the challenge of limited available land.

² The Town of Oliver recently commissioned a market analysis and hotel feasibility study (completed in late 2012) that they intended to use to help lure a new hotel to the community. Their experience with this initiative could be investigated by the Committee as part of the due diligence for this opportunity.

There was strong feedback from some business participants in the Economic Opportunities Workshops that the Committee's focus is better directed at the "foundations" of investment and growth in the region rather than selected specific investment targets. The list of "foundation" issues raised during the workshops included meeting space, office space, conference centre, available land, proximity to airport, local government supports and education.

3. Determine a proactive approach to pursuing one or more of the investment attraction targets. To some extent the components of this approach will vary depending on the particular opportunity, but are likely to include:
 - a. Developing an "investment profile" that includes descriptive information on the Elk Valley economy, demographics, quality of life and other information that is typically included in a community profile document, but with additional information that is specifically intended to make the business case for the opportunity. For the accommodation opportunity, for example, detailed information on tourist and business travel trends, evidence of untapped demand for new accommodation product, reasons to expect this demand to continue or grow in the future, etc. should be included.

The Committee should also consider a format for this profile document that is flexible and easily updated as new information becomes available or as targets evolve over time. Expensive printed documents that are quickly out of date are probably not the best approach. An online promotional tool is better, provided there is a capability to regularly update the information. A printed document that can be downloaded in PDF format that is simply prepared in Word would be far more flexible and customizable.

- b. Developing a "sales plan" for identifying and contacting potential investors in the target sectors, either one-on-one or by attending industry-specific conferences or trade shows, such as the Canadian Hotel Investment Conference for the accommodation sector or immigration shows aimed at attracting amenity migrants.

Attracting international immigrants has been a strategic priority for multiple BC communities over the last decade, including the Central Okanagan, the Comox Valley, Kamloops and others. Many of these groups regularly attend migration events in Europe. Attracting immigrants to rural BC, and improving support services that help to ease their transition, has also been a priority of the provincial government. But the reality is that most migrants to non-metropolitan areas in BC are coming from within Canada, not from international locations.

This suggests a potential approach that leverages the Elk Valley's existing profile as a tourist destination by also emphasizing to visitors the benefits of living, working and creating businesses in the Elk Valley. Migrants are very unlikely to move to a new community or region without first visiting it, often multiple times, as a tourist.

- c. Work with the existing target sector that is already in the region to improve local conditions and enhance "word of mouth" marketing. For the amenity-driven entrepreneur market, for example, an initiative to actively engage younger entrepreneurs and other amenity migrants to understand their interests and needs can help to retain this desirable demographic group as well as attract their friends and colleagues through positive word of mouth. The Okanagan Young Professionals Collective (www.oypcollective.com) is one example of this approach.

In conclusion, the steps outlined above are intended to provide a useful framework and starting point for discussions by the Elk Valley Economic Development Committee on the best way to move forward from this report. The Elk Valley has many advantages as an investment location and through a concerted effort by community partners, further success can be achieved.

APPENDIX A: PROJECT STEERING COMMITTEE

Elk Valley Regional Economic Development Committee members:

- Scott Manjak, District of Sparwood, Chair
- Sarah Parry, Fernie Chamber of Commerce, Vice-Chair
- Curtis Helgesen, District of Elkford
- Sharon Strom, Teck Resources Limited
- Ray Joubert, Tobacco Plains Indian Band
- Norma McDougall, Sparwood Chamber of Commerce
- Cindy Gallinger, Elkford Chamber of Commerce
- Jim Hendricks, City of Fernie

Committee advisors:

- Diana Brooks, Ministry of Jobs, Tourism and Skills Training
- Lisa Erven, Columbia Basin Trust
- Jennifer Krotz, Columbia Basin Trust

Project partner:

Invest Kootenay (www.investkootenay.com)

Gerri Brightwell, Community Liaison, Invest Kootenay

APPENDIX B: RESEARCH SOURCES

The primary written reports that were reviewed during the preparation of this report are listed below. Various online sources and personal communications were also utilized for background information.

BC Stats (March 2009), *British Columbia Local Area Economic Dependencies: 2006*.

Columbia Basin Trust (October 2010), *Alternative Energy in the Columbia Basin*.

Community Futures Development Corporation of the North Cariboo (July 2011), *Northern Rural and Remote Communities Green Heat Initiative Phase I: Final Report*.

CTQ Consultants Ltd., (undated), *District of Sparwood Industrial Land Demand Study*, prepared for District of Sparwood.

Davies Transportation Consulting Inc., Wave Point Consulting Ltd. and S5 Services (October 2011), *Highway 3 Corridor Economic Impact Study: Draft Final Report*, prepared for BC Ministry of Transportation and Infrastructure.

District of Elkford (undated), *District of Elkford Community Profile*.

District of Sparwood (undated), *The District of Sparwood Community Profile*.

Mike Stolte + Associates (June 2009), *Fernie Economic Development & Opportunity Identification Forum: Report & Results from On-line Survey*, prepared for City of Fernie.

Tourism BC (various dates from 2007 to 2013), *Tourism Indicators - Data Tables*.

Vann Struth Consulting Group Inc. (March 2006), *Investment Targeting in the District of Elkford*, prepared for District of Elkford.

Vann Struth Consulting Group Inc. and Eric Vance & Associates (June 2010), *Foundation of Our Economy - Phase I Final Report: East Kootenay Rockies Regional Economic Development Strategy*, prepared for Kootenay Rockies Regional Economic Alliance.

Whistler Centre for Sustainability (October 2011), *Forever Fernie: Integrated Community Sustainability Plan*, prepared for City of Fernie.

Winchester, Ben (December 2010), *Regional Recruitment: Strategies to Attract and Retain Newcomers*, published by The EDA Center, University of Minnesota, Crookston.

APPENDIX C: BUSINESS & COMMUNITY CONSULTATION

Representatives of the following organizations attended the Fernie and Sparwood community workshops associated with this project:

- Fernie Chamber of Commerce
- Sparwood and District Chamber of Commerce
- Elkford Chamber of Commerce
- City of Fernie
- District of Elkford
- District of Sparwood
- Ktunaxa Nation
- Tobacco Plains Indian Band
- Tobacco Plains Indian Band
- Isosceles Business Systems Inc.
- Ghost rider Trading Co
- River City Woodworks
- Park Place Lodge
- Finning Canada
- Resorts of the Canadian Rockies, BC Division
- Teck Coal
- College of the Rockies
- Tourism Fernie
- East Kootenay Community Credit Union
- South Country Econ Dev Assoc
- Fernie Trails Alliance

Facilitators:

- Gerri Brightwell, Community Liaison, Invest Kootenay
- Diana Brooks, Regional Manager, Ministry of Jobs, Tourism and Skills Training