**Develop Nova Scotia (formerly Waterfront Development)**

**Annual Accountability Report**

**For the Fiscal Year 2018-2019**

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# **Accountability Statement**

The Accountability Report of Develop Nova Scotia (formerly Waterfront Development) for the year ended March 31, 2019 is prepared pursuant to the Finance Act and government policies and guidelines.

These authorities require the reporting of outcomes against Develop Nova Scotia’s Business Plan for the fiscal year just ended. The reporting of Develop Nova Scotia’s outcomes necessarily includes estimates, judgments and opinions by Waterfront Development management.

We acknowledge that this Accountability Report is the responsibility of Develop Nova Scotia management. The report is, to the extent possible, a complete and accurate representation of outcomes relative to the goals and priorities set out in Develop Nova Scotia’s 2018-2019 Business Plan.

Develop Nova Scotia

Minister Geoff MacLellan

Board Chair Dale Godsoe

CEO Jennifer Angel

# **Message from Board Chair/CEO**

2018/2019 was a year of significant change for our organization as we evolved from Waterfront Development to Develop Nova Scotia, and our organization grew to embrace a larger mandate of placemaking across the province, on and off of the waterfront. We took on responsibility for the Internet for Nova Scotia Initiative, a transformative project for Nova Scotia. And we rolled up our sleeves and got to work.

We spent considerable time having conversations with Nova Scotians which has helped to inform a new strategic framework and identify important projects across the province which we can support.

We introduced the role of placemaking for economic development and through a focus on creating great places for people with people, we will contribute to developing a compelling and diﬀerentiating value proposition for Nova Scotia.

We changed our name, began the work to build our new brand and we built our team. With a commitment to accessibility, we changed offices and are rethinking our programs to ensure we are building places with all Nova Scotians, in an authentic and inclusive way.

While this transformation was significant, alongside we continued to advance some of the largest projects in our organization’s history, in addition to the Internet for Nova Scotia Initiative. Queen’s Marque precinct is taking shape, and continues to progress with close to 100,000 square feet of new public realm and three new wharves. This mixed use project by Armour Group is redefining the central waterfront and Halifax skyline, and is “born of this place”.

The Centre for Ocean Ventures and Entrepreneurship opened its doors and has successfully attracted more than 50 tenants, some of the best and brightest in Nova Scotia’s ocean tech scene. Its brand is building around the globe and this important site for ocean innovation and commercialization contributes to the incredible momentum in our ocean economy.

We continued to enhance the Halifax waterfront, with new amenities, new events and new partners, and added a strategic parcel to our portfolio with the purchase of the Maersk property near Salter Street.

We completed a new working waterfront master plan with Lunenburgers, the product of significant public consultation and stakeholder conversations. This plan will guide our work for the next 5 years and support Lunenburg’s development of an active, working waterfront that is an economic engine for this picturesque UNESCO designated Old Town and the province. We currently have more than $3 million in improvements happening along the waterfront, investment that is funded by multiple partners to support marine business growth and enhanced tourism experiences.

We will continue to model a culture of openness, creativity, a willingness to try new things and a passionate drive to build amazing places that attract and inspire people and investment to Nova Scotia.

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Dale Godsoe, CM Jennifer Angel
Chair of the Board President & CEO

# **Financial Results**

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**REVENUE VARIANCE ANALYSIS**

Rent and wharfage revenues were slightly below budget due to a later than anticipated start date at our new facility, COVE, related to construction activity. This was partially offset by stronger performance in our Halifax portfolio due to the continued strength of our retail and food service partners and investments made over the past number of years to improve the overall customer experience.

Parking revenue was higher than budget due primarily to delays in development project approvals in Halifax which allowed us to maintain available parking locations longer than expected.

Other income was higher due to higher recoveries in our marketing and real estate activities.

Provincial operating grant was significantly lower than expected due to the strong performance of our real estate assets and costs related to the transition to our new mandate being lower resulting in a lower required grant to achieve break even.

**EXPENSE VARIANCE ANALYSIS**

Program expenses were under budget primarily due to timing and capacity constraints as we were building our team to undertake these projects.

Administrative expenses were significantly underspent as the organization transitioned to its new mandate. Salaries and benefits were under budget due to the staggered hiring of new members of our team which was more heavily weighted towards the end of the year.

Facilities expense budgeted in anticipation of moving to new premises in 2018/19 didn’t occur prior to year-end. This move occurred in June 2019 and as a result no expense was incurred in fiscal 2018/19.

Transition marketing costs related to our new identity, Develop Nova Scotia, were lower than expected primarily due to the timing of expenses not occurring prior to March 31.

**CAPITAL GRANTS**

Significant variances in Provincial Capital Grants relate primarily to asset acquisitions and development activities. The Corporation received a $3.8 million capital grant for the strategic purchase of the Maersk/Svitzer wharves on the Halifax waterfront. Also, there was an additional $6.5 million capital grant related to the construction of COVE which was completed in the fiscal year and is now fully operational. Other smaller variances related to Queen’s Marque and timeline changes with respect to the Cable Wharf recapitalization project.

# **Measuring Our Performance**

**Build On Ocean Advantage**

**Develop highest potential property and infrastructure to attract people and investment to Nova Scotia**

***Halifax Waterfront Developments***

**- Queen’s Marque Precinct**
Significant progress continues at the $200M Queen’s Marque precinct in partnership with Armour Group Limited. Expected to open in 2020, this will create new places to live, work, stay and play in the centre of downtown Halifax, and create more than 2.3 acres of new public space, 3 new piers and a continuous public boardwalk which we will oversee and program.

**- Cunard Project**
Southwest Properties and Develop Nova Scotia continue to work together to advance the Cunard project at the south waterfront -- a mixed-use project that will include residential density and a substantial new public realm with a focus on play.

**- Arts District**
Develop Nova Scotia engaged in the planning and public consultation to help build a business case for a proposed cultural hub/arts district on the Halifax waterfront. The proposed cultural hub will help position Nova Scotia as a world leader in the visual arts, and create an exciting new public space on the Halifax waterfront which we will lead robust public consultation around.

**Tourism Revitalization of Icons Program**

In 2018, the Tourism Revitalization of Icons Program (TRIP) was announced. Administered by Tourism Nova Scotia, the province has committed $6 million over three years to to enhance visitor access and experiences, and help motivate people to travel to Nova Scotia.

Of the five sites identified, Develop Nova Scotia is leading three. In addition to the Harbour Islands Visitor Experience Strategy outlined under the Connect Nova Scotia section in this report, these projects include:

Peggys Cove: $2 million is earmarked to lead the planning and implementation of tourism infrastructure enhancements at Peggy’s Cove, which includes robust consultation with community and business stakeholders. As of March 31, 2019 a draft report is well underway.

Big Boat Shed, Lunenburg Waterfront: A $750,000 investment was announced through TRIP for a project on Lunenburg’s working waterfront. In 2019, additional partnership investments included $500,00 from ACOA and $250,000 from Develop Nova Scotia. This $1.5 million project will see the revitalization of this historic shipbuilding site to facilitate and enable traditional boatbuilding and the addition of an interpretive centre which the Fisheries Museum of the Atlantic will program and oversee. Phase one is expected to be complete by spring 2020 with Phase two completed for summer of 2021.

**Lunenburg Working Waterfront**

Our work to revitalize Lunenburg’s working waterfront continued this year, with substantial community and stakeholder consultation to shape the five year Lunenburg Working Waterfront Master Plan with the community.

Develop Nova Scotia continues to look at priority projects such as the revitalization of the Zwicker Wharf precinct. Work in 2018/19 included building stabilization that saw helical piles installed under the south end of the building to stabilize the foundation. Plans continue to be developed to look at the substantial renovation of the property to enable occupancy and secure long-term tenants.

Ocean Gear is a growing marine services business supporting key marine industries in Nova Scotia employing approximately 30 people in Lunenburg. Develop Nova Scotia leases waterfront land to Ocean Gear. In 2018/19, investment to repair the seawall on this property and tie it into adjacent properties got underway. This will ensure the long-term use of the area between the wharves and enable Ocean Gear to continue to operate and grow its business supporting the marine services economy.

**Plan with Nova Scotians**

**Engage with Nova Scotians, including marginalized and diverse communities, to create authentic, local places for everyone.**

**Diversity & Inclusion Engagement Program**

Public engagement and consultation is a critical component of placemaking, and therefore Develop Nova Scotia’s work. Recognizing not all members of the community are represented through traditional public engagement, in 2018/19 Develop Nova Scotia worked with community to develop a new framework and toolkit to ensure it is providing opportunities for all Nova Scotians in its planning process. A Youth and Diversity Consultation Toolbox is under development and will be launched in 2019.

**Indigenous Waterfront**

Recognizing Nova Scotia is the ancestral territory of the Mi’kmaq people, whose history in this region dates back more than 10,000 years, in late fall 2018 Develop Nova Scotia established a working relationship with the Assembly of First Nations. The purpose of this group is to facilitate work with the Mi’kmaq community to tell their story in the public realm in Nova Scotia. As the first part this longer-term objective, Develop Nova Scotia is advancing plans for an Indigenous waterfront program, beginning with the Halifax waterfront.

**Boardwalk Events Strategy/Programming (Halifax/Provincial)**

Develop Nova Scotia continues to enhance and grow our boardwalk program with partners and with a focus on locals. New high quality programming with an emphasis on free, family friendly events were introduced in 2018/19 to complement the 40 plus events that take place annually around Halifax Harbour and the Lunenburg waterfront.

These included the Mosaic Festival on the Halifax waterfront, and in Lunenburg Wednesdays on the Wharf, and Saturdays on the Lunenburg Waterfront.

As Develop Nova Scotia, we are now expanding our focus to work with communities right around the province to build places that attract people and investment, many of which are at the water’s edge.

Our seacoast remains a primary tourism driver. Working closely with Tourism Nova Scotia and operators around the province, we will provide planning and development support to enhance key destinations and to create new experiences to explore.

**Accessible Places**

In 2018, Develop Nova Scotia began work to create a more accessible waterfront, with a view to ensure all developments prioritize accessibility. Through engagement with members of the community and the Accessibility Directorate, an Accessibility Plan is in development and will be delivered in the summer of 2019. As part of this work, key Develop Nova Scotia staff have also participated in accessibility training.

**Connect Nova Scotia**

**Develop infrastructure that connects Nova Scotians to the world and to each other leverages strong places for rural economic growth**

**Internet for Nova Scotia Initiative**

In June 2018 the province set up the Nova Scotia Internet Funding Trust, where it placed $193 million, one of Canada’s largest per capita contributions by a province to address the challenges of accessing reliable, high-speed internet in rural areas. In July 2018, Develop Nova Scotia was given the mandate for implementation of the provincial rural internet strategy, and is now contracted by the Internet Funding Trust for strategy, implementation, and ongoing management and monitoring of funded projects, as well as recommendations for the effective distribution of the Trust’s funds.

The Internet for Nova Scotia Initiative is estimated to be a $500 million undertaking that will require further leveraging of funding from all levels of government as well as the private sector in order to reach the target of providing access to more than 95% of Nova Scotia’s rural homes and businesses.

Between July 2018 and March 31, 2019 Develop Nova Scotia accomplished the following to progress the Internet for Nova Scotia Initiative forward as quickly as possible:

* Expanded the organization to include staff relevant to the internet initiative;
* Developed an implementation strategy;
* Completed 2 rounds of robust key stakeholder engagement province-wide;
* Completed a competitive process to prequalify organizations to bid on projects to extend access to rural homes and business;
* Assessed all approved Connect to Innovate projects that had identified provincial funding and approved them for funding; and
* Developed a competitive 2-stage RFP process to move projects forward as quickly as possible and ensure connections are made in 2019.

**Harbour Islands Strategy**

The Harbour Islands Strategy is part of the $1.5 million announced in July 2018 for the Halifax waterfront under the Tourism Revitalization of Icons Program, administered by Tourism Nova Scotia. On February 12, 2019 it was announced that $100,000 would be invested to have Develop Nova Scotia lead the creation of a Visitor Experience Strategy for the Halifax Harbour islands, with a focus on Georges and McNabs Islands.

As a first step to unlocking the islands, and in order to understand their potential, Develop Nova Scotia consulted with 1,150 island partner organizations, business and tourism operators, special interest groups, and members of the public to determine which island activities would be possible. At March 31, 2019 a draft Visitor Experience Strategy was developed to help guide infrastructure investments and future programming on the Harbour Islands in order to connect both visitors and locals alike.

**Regional Representation for Develop Nova Scotia**

In July 2018 the mandate for Develop Nova Scotia in placemaking and its contribution to inclusive economic growth was expanded province-wide. Under the previous mandate as Waterfront Development, the Board of Directors was representative of the geographic areas covered by its mandate, Halifax and Lunenburg. Opening up the organization’s focus to the entire province meant the Board of Directors needed to expand with more regional and rural representation. In January 2019, five new members were appointed by the province of Nova Scotia to Develop Nova Scotia, bringing the total board complement to 14, with representation from Halifax, Lunenburg, Cape Breton, Hants County, Cumberland County, and Yarmouth. Develop Nova Scotia also created three new positions to provide regional representation to the team. At March 31, 2019 the Regional Lead, Project Planning and Delivery were in market with active recruitment underway. The positions will develop close working relationships with local community stakeholders and identify key placemaking projects with strong opportunity to attract people and investment to Nova Scotia.

**Taste of Nova Scotia Trails Program**

Connecting Nova Scotians also involves connecting projects, programs and businesses across Nova Scotia to leverage strengths and build a strong and cohesive place value proposition to help attract people, visitors and investment. The Taste of Nova Scotia Trails Program was identified as an opportunity to help enhance an already successful culinary tourism program to benefit more than 200 Taste of Nova Scotia members, mostly small to medium sized private sector businesses across the province, many of which are based in rural areas. During the 2018/19 fiscal period Develop Nova Scotia established a working team to investigate how the organization and its work and focus on physical infrastructure and program might support the Trails Program. An application to Invest Nova Scotia is underway which will include a master planning process, an exploration of a trail head in Halifax, signage and other connective and digital infrastructure to enhance the visitor experience and enable small business growth.

**Foster Innovation**

**Create places and infrastructure to support business innovation, collaboration and growth**

**COVE (Centre for Ocean Ventures and Entrepreneurship)**

During the first half of fiscal 2018/2019, Develop Nova Scotia was focused on completion of the construction for the recapitalization of the buildings and wharves at COVE. The work on tenant leasing initiated the year before was also a focus for the team. In June 2018, the Centre for Ocean Ventures and Entrepreneurship (COVE) officially opened with more than 40 leases signed or in negotiation. At March 31, 2019 COVE had an occupancy rate of more than 75%, with multiple new tenants in the pipeline.

**Creative Island Plan**

In 2018/2019, Develop Nova Scotia was focused on identifying opportunities to extend the innovation district model to rural areas and leveraging the emerging areas of regional specialization identified by the province. With a view to support innovation projects with consistent backbone programming, marketing and infrastructure, the Cape Breton Partnership’s Creative Island Strategy was identified for possible Develop Nova Scotia involvement. The Strategy outlines a vision for an innovative, connected Cape Breton leveraging low cost of living and robust creative culture to attract creative sector and start-ups around the Island. At March 31, 2019 a working relationship with Cape Breton Partnership had been established and possible areas of partnership were being scoped.

**Halifax Innovation District**

The Halifax Innovation District, with the Harbour at its centre, is bound by world-class research institutions, and is now anchored in COVE and Volta. In 2018/2019 the continuing development of the District benefitted from commercial activities in the downtown core, a significant portion of which is taking place on or near the Halifax Waterfront. At the request of its shareholder, Develop Nova Scotia assumed responsibility for bringing a placemaking lens to work being undertaken by those charged with the development of the Halifax Innovation District. In addition, the team’s ongoing improvements to the public realm experience continues to support creative entrepreneurs across high potential sectors.

**Outcomes**

**Commercial Revenue**

Outcome: Operate waterfront properties to be financially self-sufficient, to contribute to the organizations broader strategic goals and to support strategic sector growth.

An important part of the revitalization of our waterfront lands is their use by the private sector, generating economic activity and supporting commercial activity in the tourism sector and in marine dependent uses. Growth in revenue is one indicator of our impact in this regard both from a tenant occupancy perspective but also because we share in our tenants success through rents based on a percentage of sales.

In 2018/19 we completed construction of our COVE site – the impact on revenue in the current year was not a significant driver of growth, but it is expected to be a more significant contribution in 2019/20.

Parking revenue was flat in 2018/19 compared to the prior year and is expected to become less important over time as properties currently in use for parking are developed for higher impact uses from a commercial and social perspective.

Marina revenues were up significantly over the prior year. This was due to the addition of wharves at COVE as well as higher utilization of our Halifax facilities. The organization has increased the marketing of our facilities as well as physical improvements that will result in continued growth in this area.

**Visitor Satisfaction**

Outcome: A significant number of visitors come to the waterfronts annually and the economic activities of these visits help to support both the local and provincial economies. Measurement of activity and quality of experience are critical feedback components of Develop Nova Scotia’s effort to continuously improve the waterfronts under our management and now with our expanded mandate new properties and projects we are involved in such as Peggys Cove.

Visitation to the Halifax waterfront has generally increased year over year. In 2017, there was an additional bump with the large scale international event Rendez-Vous Tall Ships Regatta and Canada 150 activation and programming. The estimated visitation was approximately 2.9 million. In 2018, visitation was approximately 2.8 million people (the decline in 2018 over 2017 (but consistent with 2016 levels) is consistent with overall tourism results for the province in 2018).

The addition of pedestrian counters to the Halifax waterfront enables more reliable measurement of visitation as well as site specific counts. Pedestrian counters will be installed on the Lunenburg waterfront and Peggys Cove in the summer of 2019 to establish a baseline for those key sites.

**Satisfaction Surveys**

Competing priorities meant some measures such as satisfaction surveys were not implemented but are in the midst of being rolled out in the next fiscal year in key areas.



# **Supplemental Information and Appendices**

Financial statements attached