

Develop Nova Scotia
Annual Accountability Report
Fiscal Year 2019-2020
August 20, 2020

Table of Contents

Message from Board Chair/CEO..... 4

Financial Results..... 7

Supplemental Information and Appendices 19

Appendix A 19

Accountability Statement

The Accountability Report of Develop Nova Scotia for the year ended March 31, 2020 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 Develop Nova Scotia 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 2019-2020 Business Plan.

Develop Nova Scotia

Minister Geoff MacLellan

Board Chair Dale Godsoe

CEO Jennifer Angel

Message from Board Chair/CEO

We've made a lot of changes this year. We've stood up a new organization, resourced a team and drafted a new five year strategic plan to guide our work. And we've advanced some of the largest projects in our history. Perhaps most importantly, we've reflected on our work, the context in which we operate and the incredible challenges and opportunities before us. And we did a lot of listening. The conversations that we have participated in across the province, in every corner, have caused us to make some fundamental changes to how we think about our work and how we do our work.

In our work to support community and to attract people to Nova Scotia, it isn't just about what we build, but how we build it. We think if we build places with all Nova Scotians, we can contribute to our province's magnetism in attracting people to Nova Scotia and we can also contribute to building participation and understanding, and a stronger, more inclusive, more resilient community.

We have refined our strategy to prioritize three areas: Authentic Destinations, Thriving Communities and Working Waterfronts. The focus will be on projects that develop infrastructure in support of multiple users and sectors, building inclusive placemaking capacity and supporting a connected Province through the Internet for Nova Scotia Initiative.

Sometimes these focus areas intersect as in our work to revitalize Lunenburg's working waterfront. We reached a key milestone in 2019, with the adoption of the Lunenburg Waterfront Master Plan, the product of substantial community and stakeholder consultation and engagement, and many years of work by the Lunenburg Steering Committee and the Lunenburg Waterfront Association, a collection of local volunteers who believe deeply in the vision and potential of their working waterfront. This year, we saw a number of priority projects come to life including the revitalization of the historic Big Boat Shed to enable traditional boatbuilding, and to provide an opportunity to learn about it first hand. Seawall repairs on the waterfront support business growth, helps ensure the longevity of key infrastructure and elevates the profile of Lunenburg as a working waterfront and destination for ship repair and service. It's the authenticity and character of Lunenburg, a highlight of which is its working waterfront, that draws hundreds of thousands of visitors to the UNESCO World Heritage site each year, one of Nova Scotia's most visited tourism destinations.

And we are making important progress in connecting Nova Scotia homes and businesses to Internet across the province with the first round of projects underway which will advance us half way to our goal and a second round closing in June 2020 inviting bids for all remaining underserved areas of the province.

The new Waterfront Arts District progressed in 2019-20. Architectural teams from around the globe were invited to participate in a design competition - representing a big step in this project. The new, iconic art gallery and vibrant public space will provide access to art, culture, world class exhibitions, events and programming for all Nova Scotians and visitors to the province.

We were also pleased to partner on a number of additional working waterfront projects around the province including a common user, multi purpose marine terminal in Shelburne that supports key sectors in fisheries and tourism. A new wharf in Eastern Passage will make this unique destination in Halifax Harbour more accessible to people by land and sea and open up new markets for the businesses in Fisherman's Cove and the entire Eastern Shore, by drawing people up a different and unique coast to explore.

Georges Island National Historic Site will now be open and accessible to the public, a key outcome of the Harbour Islands Visitor Experience Strategy built with community. The project aims to ensure safe access to the island, creating an historical and cultural attraction and enhancing Halifax Harbour for residents and visitors. Additional investment will support new visitor experiences designed by Parks Canada in conjunction with numerous community groups that will enable Canadians to discover and connect with history.

This past year saw the continued development of the exciting Queen's Marque project, with The Armour Group Limited's first tenants moving in, and close to 100,000 sf of new public space nearing completion. Queen's Marque represents an almost \$200 million private investment in the region.

Inspired by the Cape Breton Partnership's Creative Island Strategy, we worked with the team there to build on Cape Breton's rich creative and cultural sector to plan innovation hub spaces for the communities of Baddeck and Port Hood.

We announced a new owner on behalf of the province for the Digby Pines Golf Resort and Spa, with plans for significant upgrades at the landmark resort; a \$6.9 million investment to create a year-round tourism destination and a partnership with Bear River First Nation.

Our team is actively working with the community of Peggy's Cove --- working together on a master plan to improve the visitor offering and experience within the context of this special place as a living and working coastal village, with its authentic cultural and natural landscapes.

Together we can build inclusive, sustainable places in Nova Scotia that will attract people to participate in our vibrant, growing economy with a spectacular quality of life by the sea. Our expanded mandate as Develop Nova Scotia emboldens us to continue to do important work with and for all Nova Scotians.

Original Signed By _____

Dale Godsoe, CM
Chair of the Board

Original Signed By _____

Jennifer Angel
President & CEO

Financial Results

| Financial Summary | | | |
|--|-------------------|-------------------|------------------|
| Fiscal Year 2019/20 | | | |
| | Budget | Actual | Variance |
| REVENUE | | | |
| Rents & Wharfage | 3,499,000 | 3,702,351 | 203,351 |
| Parking | 1,600,000 | 1,500,481 | (99,519) |
| Other Income | 331,500 | 727,789 | 396,289 |
| Operating Grant | 5,517,000 | 4,163,774 | (1,353,226) |
| TOTAL OPERATING REVENUE | 10,947,500 | 10,094,395 | (853,105) |
| EXPENSES | | | |
| Program Expenses | 2,708,000 | 1,665,352 | 1,042,648 |
| Maintenance/Repairs & Other | 2,353,760 | 2,756,768 | (403,008) |
| Administrative Expenses | 5,885,740 | 5,672,275 | 213,465 |
| TOTAL OPERATING EXPENSES | 10,947,500 | 10,094,395 | 853,105 |
| SURPLUS (DEFICIT) BEFORE CAPITAL | - | - | - |
| CAPITAL GRANTS & OTHER ITEMS | | | |
| PROVINCIAL | 5,924,117 | 3,272,785 | (2,651,332) |
| FEDERAL | | 608,449 | 608,449 |
| DEBT REDUCTION OPERATING GRANT | | 2,222,331 | 2,222,331 |
| TOTAL CAPITAL GRANTS | 5,924,117 | 6,103,565 | 179,448 |
| AMMORTIZATION | (2,000,000) | (2,029,264) | (29,264) |
| SURPLUS (DEFICIT) AFTER OTHER ITEMS | 3,924,117 | 4,074,301 | 150,184 |

REVENUE VARIANCE ANALYSIS

Rent and Wharfage finished slightly above budget due to higher performance in our Halifax properties as a result of the continued investments in improvements of customer experience by ourselves and our tenants. Rents also increased at COVE as they had their first full year of tenancy. The increase in rent was partially offset by a decrease in wharfage revenue in Halifax primarily driven by weather impacts.

Parking revenue decreased slightly due to parking lot closures for events and free parking offered as a result of COVID-19 in mid-March 2020.

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

Provincial grant income consists of project specific operating grants, such as the Tourism Revitalization of Icons Project operating grants, and program specific operating grants. Due to higher performance of our revenue generating assets, our program grant was lower than expected. Some capital projects will be completed in the next fiscal year and thus resulted in a lower required grant for 2019-20.

EXPENSE VARIANCE ANALYSIS

Program Expenses were less due to lower than expected external costs for the Internet for Nova Scotia Initiative, and delayed costs related to the Tourism Revitalization of Icons Project. These were offset by increased costs in Development, which included operating grants for Fisherman's Cove and Shelburne wharves.

Property Expenses were higher than budget due to a policy change related to capitalization of repairs. Additionally, unexpected costs related to Hurricane Dorian and modifications to COVE for tenant improvements resulted in higher expenses. Finally, utilities were significantly higher, mainly due to increased power consumption by vessels at COVE, which was offset by higher recoveries.

Administrative expenses achieved savings primarily in salaries and benefits due to vacancy management.

CAPITAL GRANTS

There was a significant variance in Provincial Capital Grants due to the reallocation of capital grant related to the Tourism Revitalization of Icons Project to operating instead of capital. There were also decreases due to the delay of the start of projects for Cable Wharf and the Cunard block, which were offset by additional projects for COVE retaining wall repairs and ongoing public space construction around Queen's Marque.

Measuring Our Performance

Connect Nova Scotia

Develop infrastructure that connects Nova Scotians to the world and to each other to contribute to accessibility and remove barriers to rural economic growth.

Internet for Nova Scotia Initiative

| <i>Internet for Nova Scotia Initiative</i> | Target | Actual | Variance | |
|---|-------------|-------------|----------|--|
| Scheduled Stakeholder Engagement Sessions | 24 | 23 | -1 | Presentations/updates/CTI community drop in events |
| Participation in stakeholder engagement sessions | 1200 | 1428 | +228 | Mix of above |
| Public communication Internet dashboard completed | Q1 | Q1 | | |
| CTI Projects support with Nova Scotia Internet Funding Trust Funding | 9 | 11 | +2 | |
| % Province with access to coverage | Baseline | 70% | | With round 1 announcements, will now be close to 86% (see Feb 7 announcement) |
| Timeline: Call for Bids | Summer 2019 | Summer 2019 | | |
| Timeline: Recommendations to the Trust | Fall 2019 | Fall 2019 | | Round 1 - access to connections for approximately 42k Nova Scotian homes and businesses – close to 86% |

| | | | | |
|--|--|--|--|---|
| | | | | -more than halfway to our goal of providing more than 95%, and as close to 100% as possible |
|--|--|--|--|---|

Great places are accessible and connected. In our new economy, Internet connectivity is critical infrastructure. We believe that meaningful engagement with stakeholders and the public is key to building and implementing the Internet for Nova Scotia strategy. Extensive engagement sessions with communities all around the province began in the summer of 2018 and have continued throughout the planning and implementation process.

Develop Nova Scotia is working with Internet Service Providers and communities to develop Internet infrastructure to improve access to high-speed Internet in rural communities across the province. The Internet for Nova Scotia Initiative (INSI) provides competitively priced, high-quality, high-speed Internet access service to more than 95%, and as close to 100%, of Nova Scotian homes and businesses as possible, enabling and promoting the social, educational, health, community, and economic advantages it supports. Through robust stakeholder consultation and ongoing community engagement, we are coordinating an inclusive process that maximizes participation by partners of different sizes and skills, leverages financial participation, and inspires ingenuity in addressing this formidable challenge. We prioritize this openness to a variety of potential partners and technology solutions with the need for rigor in our project management, reliability of our solution and stewardship of significant public funds - the investment of \$193 million through the arms-length Nova Scotia Internet Funding Trust.

In the summer of 2019, the first round of Request for Proposals closed and in February 2020, the first round of projects was announced. This brings access to connections for approximately 42,000 Nova Scotian homes and businesses bringing us close to 86% -- more than halfway to our goal.

This investment of almost \$45 million from the Trust for these projects, leveraged funds of approximately \$56 million in private and other public sector funding and included projects with a mix of small and large providers as well as municipalities, covering a number of communities across the province.

Work is underway in many of these communities and is anticipated to be substantially complete within 12 months from the announcement in February 2020.

Develop Nova Scotia issued another call for proposals immediately following the first round of announcements to seek projects for areas that remain underserved and unserved. There are now 15 pre-qualified providers eligible to respond to all RFPs. Announcements for the second round of projects are anticipated in August 2020.

Build On Our Ocean Advantage

Develop high potential property and infrastructure to attract people and investment to Nova Scotia.

| <i>New Place Projects</i> | Target | Actual | Variance |
|---|-------------|----------------------------------|---|
| Amount of new public space created or improved | 2,126 acres | On Track | |
| Projects in Planning: Cunard | 2 acres | On Track - 80% complete | |
| Projects in Planning: Arts District | 3.8 acres | Timeline Extended - 30% complete | |
| Projects in Planning: Dartmouth Cove | 5.5 acres | Progressing - 15% complete | |
| Projects in Development: Peggy's Cove | 1,157 acres | On Schedule - 20% complete | |
| Projects in Development: Harbour Islands | 956 acres | On Schedule - 90% complete | |
| Projects substantially completed: Queen's Marque | 2.3 acres | Timeline Extended - 90% complete | |
| <i>Visitation, Experience, and Visitor Satisfaction</i> | | | |
| Increase in visitation to Halifax Waterfront, Peggy's Cove, and Lunenburg Waterfront | +5% | +2.3% | (2.7%) While still improved over previous year, weather impacted overall visitation |
| Events Halifax Waterfront | +2 | +5 | +3 |
| Events Lunenburg Waterfront | +1 | +1 | n/a |
| Public experience with place experience (satisfied or very satisfied) | 90% | 88% | -2% |

We continue to advance some significant projects along the Halifax waterfront:

Develop Nova Scotia continues to work with the developer, Southwest Properties, on the advancement of the Cunard Block development, a new mixed use residential, office and retail development on the south waterfront which will create 64,000 ft² of new public space. It is expected that approvals will be granted by Halifax Regional Municipality in 2020 so this project can proceed, with a target construction completion in 2023. Building on robust public consultation already completed, the work to co-design the substantial new public space will take place in 2020-21.

In April of 2019, the provincial government announced a commitment to move forward with the development of a new Arts District on the Salter Block of the waterfront, which will see the creation of a new Art Gallery of Nova Scotia and new public open space. This project is a collaboration between the Art Gallery of Nova Scotia, under the Department of Communities, Culture and Heritage, and Develop Nova Scotia with the construction being led by the Department of Transportation and Infrastructure Renewal. As a partner, Develop Nova Scotia is working as part of the provincial project team throughout the planning, design, implementation and programming of the project. The Arts District will be a welcoming and inclusive public gathering place on the Halifax waterfront that showcases the best in contemporary art and public programs. Developed with Nova Scotians for Nova Scotians, the Arts District will increase opportunities for all to access and experience art, celebrate our diverse and unique stories through the arts, and enhance the overall waterfront experience.

In January of 2020, a Request for Proposal was issued for stage one of a two-stage design competition. The site work is scheduled to begin in the fall of 2021.

Develop Nova Scotia undertook significant planning work in 19/20 in close partnership with the residents of Peggy's Cove to develop a common vision for the revitalization of Peggy's Cove and the development of a Master Plan, funded through the Tourism Revitalization of Icons Program (TRIP). Develop Nova Scotia anticipates being able to accelerate construction activity during 2020-21 given lower expected visitation this summer as a result of COVID-19 travel restrictions. The first stage of improvements will focus on visitor experience and mitigating the impact of sea level rise.

Working closely with Parks Canada, and the provincial and federal governments, Develop Nova Scotia led the effort to open Georges Island National Historic Site to the public, with the design and construction of a new wharf, a partnership for provision of marine transportation to the island, and development of a new on-island visitor program delivered by Parks Canada. The ambition is to open the Island to public visitation in the summer of 2020, if it can be safely accommodated.

Develop Nova Scotia has worked closely with The Armour Group Limited this past year on the continued development of Queen's Marquee, a new development that will provide close to 100,000 ft² of new public space, a new hotel, retail, and additional residential and wharf space on the Halifax Waterfront. The project continues to advance, despite market disruptions due to COVID-19, with anticipated staggered opening of office, retail, residential and hotel, and public space. It is anticipated the project will be fully open in the spring of 2021.

Visitation on the Halifax Waterfront was up 2.3% over the year before despite a season shortened by poor weather early in the season and Hurricane Dorian in September. Additionally, COVID-19 restrictions put in place in March of 2020 caused a further decline in waterfront visitation. While visitors to the waterfront were generally positive about their experience, the poorer weather was a factor in overall visitation.

Develop Nova Scotia worked with a variety of partners to ensure the event program continues to drive visitation. Events such as Memorial Cup kickoff, the Halifax Thunderbirds welcome, and Halifax Jazz Festival continued to demonstrate our commitment to ensuring waterfront visitors experience all of Nova Scotia's diverse culture as we use our public spaces for inclusive programming. This also included a new series called the Salt Yard Sessions. Youth Art Connection and Develop Nova Scotia partnered on this series of free concerts celebrating emerging local artists and featuring a range of diverse talent through music and dance.

Plan with Nova Scotians

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

| <i>Place Development for Regional Specialization</i> | Target | Actual | Variance | |
|--|--------|--------|----------|---|
| Projects in Planning | 15 | 21 | +6 | Internet for Nova Scotia Initiative, Inverness Master Plan, Rural Tactical Placemaking, Fibre Alley, Peggy's Cove Master Plan, Louisbourg Visitor Experience Enhancement Plan, Dartmouth Cruise Facility, Arts District, Zwicker Redevelopment, Centre for Small Craft (MMA Boat School), Cape Breton Seawall Trail, Baddeck Wharf, Eastern Passage Fisherman's Cove, Participatory City, DesignX, Lunenburg Shipyard, Dartmouth Cove, Baddeck Innovation Hub, Port Hood Innovation Hub, Cunard Development, Port Hawkesbury Innovation Hub |
| Projects in Development | 4 | 2 | -2 | Georges Island Wharf, Queen's Marque |
| Projects Completed | 2 | 3 | +1 | COVE Tenant Upgrades, Ocean Gear Seawall, Briar Island Westport Gangway |

Develop Nova Scotia completed a Diversity and Inclusion engagement toolkit in 2019/20 to inform improved engagement strategies that ensure all community feels welcome and safe to participate in our planning work, and that their participation matters, and we are prioritizing inclusion of diverse and marginalized voices as central to our work. Several subject matter experts were interviewed, and youth were asked to participate in a survey to gauge their level of experience and interest in participating in planning related to public space use.

Develop Nova Scotia has begun working with communities across Nova Scotia to demystify the concept of placemaking and leverage it as a catalyst for inclusive economic growth. Our work will create meaningful places in rural communities, while building capacity and confidence in grassroots leaders to own and lead future placemaking projects.

Foster Innovation

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

| <i>Business and Innovation Growth</i> | Target | Actual | Variance |
|---|--|---------------|---|
| Innovation projects in Planning in NS | See Above - all projects in planning have been consolidated into the planning line above | | |
| Tenants Halifax Waterfront | +5 | +2 | (3) |
| Tenants Sales Growth | +5% | +8% | +3% |
| Tenant Satisfaction (satisfied or very satisfied) | 90% | 100% | +10% |
| Halifax and Lunenburg marina usage growth: Boat nights | +10% | -22% | (32%) - Shortened season (poor weather in spring and early summer, Hurricane Dorian in September) |
| COVE Tenants | 40 | 40 | n/a |
| COVE Occupancy | 75% | 86% | +11% |
| Tenant Satisfaction (satisfied or very satisfied) | 80% | 85% | +5% |

Improvements to infrastructure, tenant investment and programming of Salt Yard drove increased traffic, and correspondingly a significant increase in tenant sales this year on the Halifax waterfront.

We established a more robust engagement program with tenants, including town hall style meetings with tenants with regular frequency. The Tenant marketing committee meets with regularity and has been restructured so that they have direct influence on where marketing money is spent. The responsiveness from our maintenance and operations teams ensured increased levels of activity were properly supported and the impact of Hurricane Dorian was limited in its impact on returning to business.

Marina usage was down primarily due to weather impacts - poor weather at the beginning of the season and an early end due to Hurricane Dorian were the primary source of declines in use.

Occupancy at COVE was higher than projected due to strong demand for demised office space and our re-allocation of some open desk space to service this demand. We will continue to support Nova Scotia's innovation agenda by ensuring physical assets are optimized to achieve the economic and networking goals of the region. We will remain in lockstep with the provincial government's research and data on rural regional specialization, leveraging what has worked at COVE to further invest in strategic areas of the province.

Develop Nova Scotia supported a feasibility study on the potential for an Innovation Hub in Port Hawkesbury in partnership with the Municipality, ACOA, NSCC and the Cape Breton Partnership. This work is ongoing and will be completed in 2020.

Commercial Revenue

Commercial Revenue increased by approximately \$750,000 during the year; \$300,000 of this was achieved in our Halifax portfolio where increased occupancy and better performance of our tenants was the primary driver. This was offset by a \$100,000 decrease in parking revenue due to lower utilization throughout the year. The vast majority of the increased revenue however came from COVE where 2019/20 was the first full year of operation at the facility. The Lunenburg portfolio, while smaller, continued to perform well as we reinvest in those assets to further support the growth of the working waterfront.

Supplemental Information and Appendices

Appendix A

Annual Report under Section 18 of the *Public Interest Disclosure of Wrongdoing Act*

The following is a summary of disclosures received by Develop Nova Scotia:

| Information Required under Section 18 of the Act | Fiscal Year 2019-2020 |
|---|-----------------------|
| The number of disclosures received | 0 |
| The number of findings of wrongdoing | 0 |
| Details of each wrongdoing (insert separate row for each wrongdoing) | 0 |
| Recommendations and actions taken on each wrongdoing (insert separate row for each wrongdoing) | 0 |