



# FIVE YEARS INTO A TEN-YEAR PLAN, CALGARY'S DOWNTOWN OFFICE CONVERSION PROGRAM SHOWS MEASURABLE PROGRESS WHILE MARKET CONDITIONS CONTINUE TO EVOLVE.

During the 2026 Budget Adjustments to the 2023-2026 Service Plans and Budgets (C2025-0901) Council directed Administration to collaborate with the Real Estate Sector Advisory Committee (RESAC) of Calgary Economic Development to review the Terms of Reference for the Downtown Calgary Development Incentive Program. The review considered current market conditions, program performance to date, and the potential implications of the proposed changes. This summary sheet provides an overview of the findings of this analysis, while the full report provides details, supporting data, and the rationale for proposed program refinements.

## Five years into implementation of the ten-year Greater Downtown Plan, downtown office vacancy remains elevated.

Despite broader economic recovery, Calgary has over 12 million sq. ft. of vacant office space. This report identifies the surplus as structural, reflecting long-term shifts including energy sector consolidation and changes in workplace patterns such as hybrid and remote work. Persistent surplus downtown office space affects:

Downtown Vibrancy | Perceptions of Safety | Investor Confidence | Assessed Property Value | Tax Resiliency

What the Analysis Found:	What is Being Proposed:
<ul style="list-style-type: none"> <li>Market research, data analysis, and collaboration with RESAC informed Administration's recommendations and determined that conversion incentives remain an effective tool for reducing office vacancy and supporting a resilient tax base.</li> <li>The conversion program has already reduced office vacancy by approximately 5 per cent and is estimated to drive a direct and indirect tax uplift of over \$14M so far.</li> </ul>	<ul style="list-style-type: none"> <li>The report recommends targeted refinements to the program's Terms of Reference. These refinements are intended to maintain program momentum, address identified risks and support long-term program outcomes.</li> </ul>
What's Staying the Same?	What's Changing?
<ul style="list-style-type: none"> <li>The program is expected to continue until it meets the 2031 target of removing 6 million sq. ft. of office space.</li> <li>The core purpose remains removing surplus underutilized downtown office space through conversion.</li> <li>The program continues to use a grant-based incentive model tied to office space removed.</li> <li>The multi-residential incentive rate remains \$75 per sq. ft.</li> </ul>	<ul style="list-style-type: none"> <li>Administrative approval threshold drops from \$15M to \$12M.</li> <li>New Impact criterion added to application review with more weighting for:                         <ul style="list-style-type: none"> <li>Affordable housing.</li> <li>Large-scale projects.</li> <li>Innovative commercial uses retaining non-residential assessment class.</li> </ul> </li> <li>Hotel incentive increases from \$60 to \$75 per sq ft.</li> <li>Add a new 'Other Uses' category that considers a competitive bid process up to \$75 per sq. ft. for a broader range of conversion uses.</li> <li>Program name changes to Downtown Office Conversion Program.</li> </ul>

Downtown Calgary continues to experience a structural surplus of office space, driven by long-term shifts in office demand and structural change within the energy sector that historically underpinned downtown occupancy. Persistently high office vacancy has implications that extend beyond the downtown core, affecting property values, municipal tax revenue, and the distribution of the property taxes across the city. When downtown office values decline, the pressure to fund services does not disappear; property taxes are redistributed to businesses and communities elsewhere in Calgary.

The *Downtown Calgary Development Incentive Program* (“the “Program”) was established as a time-limited intervention to address this imbalance by permanently removing surplus office inventory and repurposing underutilized buildings to active uses. By reducing vacancy and stabilizing assessed values, the Program supports a stronger downtown while helping to limit further tax shifts to Calgarians outside the core. In this way, the Program contributes to protecting the broader tax base that funds services relied upon by residents and businesses citywide.

A stronger downtown is an active downtown that also delivers wider economic and social benefits. Increasing the number of people living and spending time downtown supports safety and perceptions of safety through everyday activity and consistent use of public spaces. As Calgary’s primary economic hub, downtown plays a central role in supporting jobs, employer attraction, post-secondary education, and investment confidence. Increased activity also supports local businesses and strengthens tourism, events, and the visitor economy. Concentrating activity in a fully serviced area reduces pressure to extend new infrastructure elsewhere and supports more efficient use of public investment.

As directed by Council through the 2026 Budget Adjustments to 2023-2026 Services Plans and Budgets, Administration undertook a comprehensive review of the Program’s Terms of Reference in collaboration with the Real Estate Sector Advisory Committee (RESAC). This review examined program performance, market data, scenario modeling, and feasibility analysis to ensure the Program continues to operate effectively, responsibly, and in alignment with Council priorities.

While key findings are summarized in this report, the full detailed analysis can be found at [calgary.ca/DTS/supportinganalysisEC2026-0169](https://calgary.ca/DTS/supportinganalysisEC2026-0169) and should be reviewed for a complete rationale supporting the proposed changes.

Based on this review, Administration is recommending targeted refinements to optimize program performance while preserving its core strengths, including:

- **Reduce** the per project approval threshold for administration from \$15 million to \$12 million with Council approval required for projects over \$12 million in order to enhance Council oversight and better distribute risk.
  - Buildings identified as suitable have an average size of 224,000 square feet and a median size of 151,000 square feet, indicating that a \$12 million threshold continues to align with the scale of future candidates.
  - At the current incentive rate of \$75 per square foot, a \$12 million threshold corresponds to approximately 160,000 square feet, ensuring the Program remains accessible to most viable projects.
  - Larger projects have made an outsized contribution to office space removal, making it important to retain a structure that includes a clear mechanism for Council review of projects that exceed the established threshold for Administration.
- **Maintain** the grant-based incentive model tied to per square footage of office space removed.
  - Square footage removal is the Program’s primary performance metric, and disassociating incentives from square footage would risk fundamentally altering the Program’s purpose by weakening the clear and measurable link to vacancy reduction.
  - Flat grants or incentives not tied to square footage could result in larger projects being under supported while smaller projects receive disproportionate benefit, reducing overall scale and effectiveness.
  - Developers have consistently cited the Program’s simplicity and transparency as a key strength, and tying incentives to the amount of office space removed ensures transparency, predictability, and equitable treatment across projects.

- **Add** a new criteria for *Impact* in the Comprehensive Application Review that includes increased weighting for applications that include affordable housing or innovative commercial uses that would retain a property's Non-Residential assessment class. This provides additional weighting for projects that support the City's return on investment and non-market housing priorities.
  - Conversion projects that retain the non-residential assessment class ensure a higher return to the City through a stronger municipal tax uplift.
  - Non-market housing helps create long-term housing stability and equity for residents.
  - Larger projects can significantly accelerate vacancy reduction and have additional influence on market stabilization and downtown activity.
  - When downtown office values decline, the pressure to fund services does not disappear; property taxes are redistributed to businesses and communities elsewhere in Calgary.
- **Maintain** the *Multi-Residential* incentive rate at \$75 per square foot.
  - The real value of the incentive has declined from \$75 to \$63 per square foot due to inflation, reducing the purchasing power available to support project feasibility.
  - Rising construction and financial costs continue to affect project feasibility, making stable and predictable incentives increasingly important for conversions to proceed.
  - Without sufficient upfront support, developers are likely to pursue alternative projects with clearer returns and lower risk, reinforcing the need to maintain the current incentive rate.
- **Increase** the *Hotel* incentive rate from \$60 to \$75 per square foot to encourage more hotel conversion projects recognizing their stronger assessed value and tax payback.
  - Hotel conversions retain the non-residential assessment class and the non-residential property tax rate. By maintaining this tax rate through conversion, it ensures a higher return to the City through a stronger municipal tax uplift.
  - There is growing hotel demand with other capital investment across Downtown leading to a growing tourism sector, and increasing hotel supply would support Calgary's tourism capacity.
- **Introduce** a new *Other Uses* category to Section 3.2 Eligible Conversion Uses and Incentive Rates to support a broader diversity of non-residential conversions, such as seniors living, educational, and institutional uses. This category allows for competitive incentive rates up to a maximum of \$75 per square foot, supporting innovation, reducing the overall blended incentive rate of the Program, and encouraging projects that align with Council priorities.
  - This new category will expand the Program's ability to respond to dynamic markets and innovative opportunities while continuing to remove office supply.
  - The competitive bid process will help establish optimal incentive rates for uses not previously considered or with little market interest.
- **Improve** program efficiency and transparency by improving processes within the Program's Terms of Reference and changing the Program name to "Downtown Office Conversion Program".
  - The Program has now been operating for five years toward its 10-year goal and there have been efficiencies discovered worth incorporating into its Terms of Reference to ensure the most productive program administration.
  - The Program now operates alongside several other City incentive tools, reinforcing the need for clearer differentiation and a more explicit focus on office conversions.

Together, these refinements are intended to maintain momentum toward market stabilization, strengthen alignment with Council priorities, and ensure that public investment continues to deliver long-term economic value for all Calgarians.