

# BRIEFING

Page 1 of 5

Item # 5.2.4

**Planning & Development Briefing to  
Priorities and Finance Committee  
2020 June 09**

**ISC: UNRESTRICTED  
PFC2020-0643**

## **State of Downtown 2019**

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### **PURPOSE OF BRIEFING**

In 2019 April, the downtown strategy and team was established to support Calgary's economic recovery and resilience. One year into implementation, the purpose of the briefing is to provide the inaugural state of downtown Calgary report (Attachment 1). The state of downtown Calgary report was prepared based on best practices from other jurisdictions such as Denver, Pittsburgh Sacramento, and London, Ontario. The briefing also includes a summary of the downtown office market, update on recent activities, and highlights for 2020. Looking ahead, The City of Calgary and its partners will continue to work together to implement the downtown strategy through its four focus areas: Place, Work, Live, and Connect. The downtown strategy supports Calgary's comeback.

### **SUPPORTING INFORMATION**

#### **Previous Council Direction**

On 2019 October 08, PFC2019-1111 Downtown Strategy Update briefing was received for the corporate record.

On 2019 July 22, Council approved PFC2019-0664 that directed Administration to continue implementing the Downtown Strategy.

At the 2019 April 01 Strategic Council Meeting, Council approved the following recommendations:

1. Endorse the direction as presented (C2019-0415-Downtown Strategy and Focus);
2. Direct Administration to provide an update on the further development of a Downtown Strategy to the Priorities and Finance Committee in 2019 July and October; and,
3. For the July Priorities and Finance Committee, Administration further refine the Downtown Strategy to include: heritage, safety, and competitive research.

#### **Note regarding impact of the COVID-19 pandemic impacts**

The State of the Downtown 2019 Report was prepared using data and information for the 2019 calendar year and does not include any response or analysis based on the COVID-19 pandemic. However, since the start of the pandemic, the Downtown Strategy Leadership Team and Working Committee continue to meet monthly to assess the impact of the pandemic and to adjust plans and actions accordingly. This includes working to align and support response and recovery efforts of The City and our partners at Calgary Economic Development, the Calgary Municipal Land Corporation and all partner Business Improvement Areas in the downtown area. The Leadership Team believes that the core of the Downtown Strategy is more relevant than ever for the long-term recovery of the downtown. However, adjustments to and flexibility with proposed work plans will be required in the near term to address our current situational challenges imposed by the pandemic.

# BRIEFING

## Background

Downtown is core to our city's vibrancy and economic resilience. In 2019, the downtown strategy and team came together quickly to develop and start implementation of the strategy. The members of the downtown strategy leadership are: Stuart Dalgleish, Thom Mahler, Chris Arthurs, James McLaughlin, Mary Moran (Calgary Economic Development), Marco De Iaco (Calgary Downtown Association) and David Low (Victoria Park Business Improvement Area). There has been an extraordinary level of collaboration and contribution from the downtown strategy leadership team to help accelerate actions and advance opportunities. The team is laser focused on working together to help ensure downtown's ongoing success now and into the future.

The current economic situation may take an extensive amount of time to recover, requiring intentional management of near-term actions with a longer-term view (ten to fifteen years). The team will focus, align, and elevate the awareness of a coordinated strategy that leverages the collective efforts of The City and its public and private sector partners to respond to the prolonged economic challenges, and capitalize on opportunities that will create jobs, drive economic recovery, and revitalize the downtown. Significant effort has been put into establishing a work program for each of the four focus areas of: Place, Work, Live, and Connect.

## Comparative Analysis

Conducting a comparative analysis with other metropolitan areas in Canada and the United States (Calgary, Edmonton, Montreal, Ottawa, Toronto, Vancouver, Austin, Dallas, Denver, Detroit, Houston, Nashville, Oklahoma City and Pittsburgh) through the normalization of data that accounts for population, economic indicators, and downtown office supply and vacancy rate reveals key insights.

- Calgary led major Canadian metropolitan areas in terms of nominal gross domestic product (GDP) per capita in 2018 at \$79,000, higher than Toronto, Montreal, and Vancouver. Calgary also added 25,700 jobs in 2019; third most in Canada.
- In 2019, Calgary was ranked as the fifth most livable city in the world and the most livable city in North America (*Source: Economist Intelligence Unit*).
- While downtown office vacancy rate is a frequently referenced indicator, looking at office supply, office occupancy, and office absorption tells a more comprehensive story.
- Once normalized for population size, Calgary had not only the highest downtown office supply per capita, but also the highest downtown office space occupied per capita among the cities studied. Calgary has 42 square feet of downtown office supply per capita compared to an average of 14 square feet per capita among the cities studied. Calgary has 31 square feet of downtown office space occupied per capita compared to an average of 12 square feet per capita among the cities studied.
- In 2019, Calgary had the lowest downtown office average net asking rent at \$11.85 per square feet compared to \$21.52 in Montreal, \$33.92 in Toronto, and \$37.65 in Vancouver.
- The story of opportunity is that Calgary has an abundance of economical and move-in-ready office space for companies and businesses to locate, grow, and create jobs.

## Best Practice: State of the Downtown Report

The inaugural state of downtown Calgary report was prepared based on best practices from other jurisdictions such as Denver, Pittsburgh, and Sacramento. The content typically includes the year in review, highlights, and areas of focus. In the United States, the state of the downtown reports is typically prepared by the local downtown partnerships/associations; not the municipality. The City of London, Ontario prepares a bi-annual state of downtown report.

The downtown strategy team is proud of the unprecedented level of collaboration to jointly deliver the first state of downtown Calgary report (Attachment 1).

## **Calgary Downtown Office Q4 2019 Marketview (CBRE)**

- At the end of Q4 2019, downtown office vacancy was at 27.2 per cent. In the first two quarters of 2019, the market absorbed over 400,000 square feet through a combination of sublease offerings being removed from the market, available space being converted to amenity space, and the trend of coworking operators taking space.
- Q4 was another quarter of negative absorption characterized by the familiar trends: downsizing in the oil patch and tenants upgrading to quality. The downtown office market experienced 261,291 square feet of negative absorption in the final quarter of 2019, bringing the year-end results to a flat 19,512 square feet of net negative absorption. Husky, Repsol and Nexen were the biggest contributors of excess space, freeing up a combined 430,000 square feet in Class AA and A buildings.
- CBRE expects similar results for Calgary downtown office market in 2020.

## **Downtown Capital Projects**

- \$350 million was approved for capital projects in the downtown area in the One Calgary approvals in 2018 November.
- In 2019, there were decisions on major projects and capital investment in downtown. The Event Centre will be a catalyst for redevelopment in the Rivers District and contributes to goals identified in the downtown strategy to advance Calgary's economic recovery and resilience. The Event Centre coupled with the BMO Centre expansion will see over \$1 billion dollars of investment in east Victoria Park.
- In 2019 September, Council approved authorization to invest \$10 million to achieve the detailed design work necessary for Phase One and Two of the Arts Commons Transformation project.
- In 2020 February, the Government of Alberta announced that the Glenbow would receive up to \$40 million in infrastructure funding as part of the revitalization project.

## **Highlights of the Downtown Strategy for Q4 2019 for each focus area are:**

**Place:** Approximately 250 Calgarians joined the Calgary Downtown Association (CDA) in 2019 December, for the Stephen Avenue and the Economics of Placemaking panel session. This session, part of The City of Calgary's and CDA's Future of Stephen Avenue project, brought together experts from across Canada and the United States to discuss the value of our streets, open spaces and buildings. The event and project served to generate a bold and compelling vision and design for the future of Stephen Avenue that includes a great streetscape design, along with a robust program for economic investment and redevelopment, and a strong framework for operations, maintenance and stewardship.

**Work:** Calgary Economic Development attracted and retained 28 companies in downtown and created 2,300 direct and indirect jobs. Of the seven Opportunity Calgary Investment Fund (OCIF) announcements made in 2019, over half (57%) are impacting the downtown. New office absorption space across those investments (NPower Canada, Lighthouse Labs, Parkland Fuels, and Finger Food Advanced Technology Group) totals over 128,000 square feet. It is expected that these companies will graduate nearly 370 students and create, retain, and/or relocate nearly 1,000 direct and indirect jobs.

# BRIEFING

**Live:** Calgary welcomed Canadian Football League (CFL) fans from across Canada for the 107 Grey Cup on 2019 November 24, and the week-long festivities leading up to the big game. Many ticketed and non-ticketed events and celebrations took place in our downtown and while the numbers aren't final it's projected that the Championship Game and Festival had a combined attendance of more than 150,000, engaging approximately 1,000 volunteers. The event contributed an estimated \$50 million in economic benefit to the city. The Grey Cup Festival set up shop on the Calgary Stampede Grounds and restaurants and bars along Stephen Avenue extended patio season thanks to support from The City and the CDA.

**Connect:** Enhancements to the downtown flood barrier are underway. Community engagement started in 2019 April and construction is estimated to begin sometime in 2020. The downtown flood barrier, once complete, will connect with the West Eau Claire Park flood barrier and extend to the Reconciliation Bridge to form a single, contiguous piece of flood mitigation infrastructure for Calgary's downtown. These measures will result in reduced business and economic interruptions, and increased resilience for critical services and public infrastructure.

## **Looking Ahead 2020**

Looking ahead to 2020, the implementation of the downtown strategy continues through its four focus areas: Place, Work, Live, and Connect. The team is laser focused on taking actions that will have positive impacts on downtown vibrancy. A sample of the focus area initiatives are outlined below.

### **Place**

- Launch of the updated Greater Downtown Plan.
- Establish a new district around Olympic Plaza.
- Support the activate and experiment phase for the Future of Stephen Avenue project.

### **Work**

- Attract and retain high growth innovation companies with a focus on technology in emerging sectors.
- Use the Opportunity Calgary Investment Fund (OCIF) proactively for transformational projects and opportunities (e.g. AI/ML, fintech, anchor companies, etc.).
- Support the Southern Alberta Institute of Technology's (SAIT) Digital Technology School planning and rollout in downtown Calgary.

### **Live**

- Develop a downtown winter strategy and define how it will be integrated, to make downtown more vibrant.
- Work with stakeholders to grow and develop art, culture and sport opportunities, including festivals and events.
- Support downtown safety initiatives.

### **Connect**

- Support 5G readiness and infrastructure deployment.
- Launch the 9 Block Program around the Municipal Plaza to enhance safety and vibrancy.
- Leverage partnerships.

# BRIEFING

Page 5 of 5

Item # 5.2.4

## Key Messages

- The team will work together to respond to the economic impact of the COVID-19 pandemic.
- The downtown strategy supports Calgary's comeback, economic recovery, and resilience.
- The team is focused on the vibrancy of downtown Calgary, encouraging private investment in business and buildings; aligning programming to generate visits and spending; and providing amenities and services to enhance the comfort and quality of life for Calgarians living, working and visiting downtown.

## ATTACHMENT(S)

1. Attachment 1 – State of Downtown Calgary 2019 – PFC2020-0643