

**UPDATE ON MID-CYCLE BUDGET ADJUSTMENT INITIATIVES: CENTRE CITY  
ENTERPRISE DISTRICT, POP-UP RETAIL PROGRAM AND SMALL BUSINESS TACTICAL  
SUPPORT TEAM**

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**EXECUTIVE SUMMARY**

Council directed Administration to investigate three initiatives to assist local building and business owners during this economic downturn. This report provides an update on progress to date, including stakeholder engagement, and proposes two specific amendments to Land Use Bylaw 1P2007 that will revise the development permit process in the Centre City area to ease the regulatory and process requirements necessary for new businesses to locate in existing and vacant space.

**ADMINISTRATION RECOMMENDATION(S)**

That the SPC on Planning and Urban Development recommend that Council direct Administration to bring forward directly to the 2017 June Public Hearing, without going through Calgary Planning Commission, the necessary amendments to Land Use Bylaw 1P2007 to implement the changes to the development permit process for the Centre City as identified in this report. For the purposes of these amendments, Centre City is defined as the area outlined on the map in Attachment 2.

**RECOMMENDATION OF THE SPC ON PLANNING AND URBAN DEVELOPMENT, DATED  
2017 MARCH 08:**

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That the Administration Recommendation contained in Report PUD2017-0142 be approved.

**PREVIOUS COUNCIL DIRECTION / POLICY**

On 2016 November 21, Council approved the package of Mid-Cycle Budget Adjustments as follows:

ADOPT, AS AMENDED, Moved by Councillor Sutherland, Seconded by Councillor Pootmans, that Administration Recommendations contained in Report C2016-0863, be adopted, as follows, **and as amended in Attachment 7**, subject to further amendments adopted by Council at this meeting:

1. Approve the proposed Mid-cycle Adjustments in Attachment 1, as follows (excerpt from full recommendation);
- The Operating Budget Adjustment for Funding Requests, contained on Pages 32 to 65.

Page 42:

Program-Business Unit  
651 Urban Strategy

Source  
Fiscal Stability Reserve

2017  
\$50K

**UPDATE ON MID-CYCLE BUDGET ADJUSTMENT INITIATIVES: CENTRE CITY  
ENTERPRISE DISTRICT, POP-UP RETAIL PROGRAM AND SMALL BUSINESS TACTICAL  
SUPPORT TEAM**

---

Page 44:

<u>Program-Business Unit</u>	<u>Source</u>	<u>2017</u>
651 Urban Strategy	Fiscal Stability Reserve	\$50K

Page 46:

<u>Program-Business Unit</u>	<u>Source</u>	<u>2017</u>
651 Urban Strategy	Fiscal Stability Reserve	\$50K

These three initiatives were proposed through the Mid-Cycle Budget Adjustment Process and are named: Small Business Tactical Support Team, Centre City Enterprise District and Pop-Up Retail Program.

**BACKGROUND**

The three initiatives were an outcome of an internal Administration process to identify actions that could be taken to help address the economic impacts of the recent and significant economic downturn. Urban Strategy worked with Calgary Economic Development and the Planning and Development Department to ensure general alignment with other projects or initiatives already underway or planned to start in 2017. Since 2016 November, Urban Strategy has continued to work with those groups with a view to identifying actions that could be taken immediately or in the short term that would have a demonstrable benefit to both business and landlords. A number of stakeholder sessions have been held both internally and externally to identify case studies, identify key barriers and verify the feasibility and impact of some short term strategies. This report describes the short term proposals and seeks direction from Council to bring back formal policy and bylaw amendments to implement the proposals.

**INVESTIGATION: ALTERNATIVES AND ANALYSIS**

Administration has been meeting with the Calgary Economic Development Real Estate Sector Advisory Committee and its related sub-committees on issues related to downtown vacancy and vibrancy, particularly investigating the potential for pop-up retail and collaborative office work spaces in the Centre City.

Additionally, Urban Strategy has hosted internal workshops with staff who frequently work with small business, real estate and planning applications. The purpose of these sessions was to identify both challenges and solutions to common or significant barriers between potential tenants and vacant spaces. Attachment 1 to this report includes a summary of some of the key themes generated through the stakeholder sessions.

A dominant stakeholders theme is a need for quick and bold action. Vacant storefronts create a perception problem when building owners and brokers are trying to secure new tenants. Availability of retail and hospitality services either within or nearby office buildings is a key factor in the office location decision.

**UPDATE ON MID-CYCLE BUDGET ADJUSTMENT INITIATIVES: CENTRE CITY  
ENTERPRISE DISTRICT, POP-UP RETAIL PROGRAM AND SMALL BUSINESS TACTICAL  
SUPPORT TEAM**

---

Rather than pursuing specific or targeted amendments to policies or bylaws to address barriers or challenges, the recommended short term approach is to exempt or suspend specific Land Use Bylaw processes and provisions within the Centre City (see map in Attachment 2) for a 2 year period. The recommended actions are as follows:

- A. Suspend the requirement for a development permit for a change of use in an existing, approved building.
- B. Suspend parking requirements for changes of use in existing buildings.
- C. Exempt changes of use in existing buildings from the application of overarching policies and Land Use Bylaw provisions.
- D. Exempt small additions or renovations to existing buildings from the need for a development permit.

All of these outcomes can be achieved through simple amendments to the Land Use Bylaw's Administration section that creates a new exemptions for development permits in the Centre City, one for a change of use in an existing, approved building and one for building additions under a certain size. These two amendments are discussed below.

Suspend the requirement for a development permit for a change of use in an existing, approved building

Probably the most frequently mentioned barrier to the easy flow of tenants through vacant space is the requirement for a development permit for a change of use. The purpose of this permit is to ensure that prospective uses comply with the provisions of the Land Use Bylaw such as parking and use area size restrictions and local area policy documents. It is also used as a tool to advise applicants about possible other building permit or licensing requirements. While the permit itself can often be processed very quickly (1-7 days for a permitted use and approximately 21 days for a discretionary use), the challenge is often that discretionary use permits will also have to comply with all relevant local area policy and land use bylaw rules. If a land use bylaw relaxation is required, then the development permit can be appealed, adding risk and time to the process. Other costs associated with this process could include a parking study in the event of a significant parking relaxation. These studies can be a burden for small businesses or new concepts where the timelines and outcomes are not certain.

By not requiring a development permit for either permitted or discretionary uses, the following would no longer apply unless specifically required in a Direct Control District:

- Parking requirements;
- Use area restrictions (such as the size of a retail store);
- Separation distance between specified uses; and
- Location area restrictions (such as not allowing banks or offices at street level).

**UPDATE ON MID-CYCLE BUDGET ADJUSTMENT INITIATIVES: CENTRE CITY  
ENTERPRISE DISTRICT, POP-UP RETAIL PROGRAM AND SMALL BUSINESS TACTICAL  
SUPPORT TEAM**

---

Following internal discussions with staff from Planning and Development and Transportation, there is a consensus that a 2 or 3 year pilot is the best way to make an immediate impact on the vacant real estate market with an acceptable level of risk.

**Risks:**

- Certain discretionary uses that have various locational restrictions in the Land Use Bylaw or in policy such as financial institutions, offices, drinking establishments, liquor stores, pawn shops and payday loans could open in locations previously restricted. After the suspension period ends these uses would continue to exist.
- Policies relating to the clustering of drinking establishments and licensed restaurants may not apply.
- Localized parking issues may be generated where there are no other nearby parking alternatives.
- Tracking of businesses and activities in existing buildings will be more challenging without the development permit process. While building permits and business licensing will still apply, not all businesses will require a building permit nor do all businesses require a business license. As a result some tenancy changes may occur without The City being aware. This may lead to some confusion and uncertainty regarding the legality of a use with respect to the land use bylaw (conforming or non-conforming) after the two year suspension period is concluded.
- Loss of revenue from processing the development permits could be in the order of \$75,000 per year.

**Risk Mitigation Considerations:**

- Enhancements have been made to provide alternatives to travel downtown, reducing the need for private vehicle trips. These include expansion of LRT capacity with 4 car trains, implementation of cycle tracks and the provision for parking areas for Car2Go.
- With the recent reduction in the total number of employees now working downtown (estimated to be in the order of 30,000 people), there is more availability of private off-site parking opportunities.
- It is expected there will continue to be some business failure over the next few years as businesses adjust. This may mitigate the concern of an over concentration of certain uses in certain areas. Although an individual business failure does not mean another business with the same use could not open in the same location.
- Retail trends are moving toward more innovative and interesting formats to attract patrons in order to compete with on-line retailing.
- Local entrepreneurship, particularly amongst young Calgarians, is active in both retail and hospitality sectors (e.g. pop-up retailers, maker spaces, craft brewers and restaurants). Easing regulation and access to vacant space may encourage this trend in the Centre City.
- Administration is investigating the ways tenancy changes are currently tracked in lieu of a development permit. If necessary, adjustments to existing processes will be investigated in order to maintain records of tenancy changes during the two year period. Tracking businesses will help establish their legal status after the two year pilot period expires.

**UPDATE ON MID-CYCLE BUDGET ADJUSTMENT INITIATIVES: CENTRE CITY  
ENTERPRISE DISTRICT, POP-UP RETAIL PROGRAM AND SMALL BUSINESS TACTICAL  
SUPPORT TEAM**

---

Suspend the requirement for a development permit for small-scale building renovations or additions

In order to compete in a high vacancy environment, building owners need to upgrade facades and common areas, mainly at the street and +15 levels. In some cases, small additions may be necessary to accommodate a new or prospective tenant. The normal discretionary development permit process can result in longer timelines and add regulatory requirements normally designed for new or large scale building additions. Many cities have similar size exemptions to encourage investment in existing buildings that can enhance the streetscape and attract a new mix or wider range of tenants. At a minimum, this change may act as a type of financial incentive given the savings in time and other municipal requirements. This may have a similar effect in Calgary's Centre City as a façade improvement grant or low-interest loan program in cities that offer them to stimulate revitalization.

**Risks:**

- Design review would not be applicable which may have the impact of a renovation or addition reducing street level pedestrian interest or comfort.
- Some City departments may miss an opportunity to update development or servicing standards that may result in some off-site costs to the municipality in the future. An example of this could be storm water requirements or transit stop improvements.

**Risk Mitigation Considerations:**

- Design quality has been steadily improving and building owners seeking to attract tenants will be cognizant of the importance of design and street level comfort to attract retail and hospitality tenants. Substantial design changes are rarely required or made through the development permit process for permits such as this.
- Given the 2 year time limit on the suspension, the impact on servicing and infrastructure can be assessed and evaluated as to alternate approaches should such an exemption become permanent, although a small addition should not trigger any major requirements.

On-going Customer Service Improvements

Planning and Development is currently undertaking a zero based review of processes relating to small business. The goal of the review is to ensure the rules and licenses in place are appropriate; making it easier for businesses to open and operate. This includes an end-to-end review of the change of use development permit process as well as an examination of other bylaw and regulatory process requirements. This multi-year project will include immediate process improvements that do not necessarily require Council approval and may be implemented immediately as they are developed. A tangible outcome of this review is the recent recruitment of a small business ambassador in Planning and Development that will help small business navigate the municipal approvals system. These improvements will apply city-wide including in industrial areas, something that has been requested by industrial building owners and brokers. The zero based review will identify and implement improvements to change the change of use process city-wide, including the Centre City, that will be implemented

**UPDATE ON MID-CYCLE BUDGET ADJUSTMENT INITIATIVES: CENTRE CITY  
ENTERPRISE DISTRICT, POP-UP RETAIL PROGRAM AND SMALL BUSINESS TACTICAL  
SUPPORT TEAM**

---

in the next two years. These changes could be brought forward prior to the expiry of the two year suspension period being proposed for the Centre City area.

Possible Tax Incentives

A number of tax strategies have been employed in other, mostly non- Canadian cities, to encourage the reuse of office buildings or to incent leasing. From tax credits to business loans, to altering property tax, the use of these tools is dependent upon enabling legislation. The City has in a couple of examples, provided tax relief in the case of historic preservation, most recently the Bank of Montreal building on Seventh Avenue. Given the nature of the office vacancies, tax relief for historic reasons is not an option. However it raises the broader question of the City providing some form of tax incentive to encourage the occupancy of vacant space in the Centre City. Providing tax abatement equal to the increase resulting from investment in a building to attract new tenants, is an option that would not detract from the current levels of tax intake. This is important given any reduction in the Centre City non-residential tax base is required to be made up elsewhere. Further work is required that involves an analysis of how one action can reverberate through our tax structure. Urban Strategy will continue to discuss this with the Chief Financial Office to consider the feasibility of incentives for building owners who make improvements to their buildings in Centre City, to attract new tenants into vacant space.

Next Steps

Administration is seeking Council direction to initiate the bylaw changes necessary to implement the actions identified in this report. It is recommended that the amendments bypass Calgary Planning Commission to shorten the timeline to implementation of the amendments. Since these matters are largely about procedural and operations matters, it is felt Council can address the matter without a recommendation from Calgary Planning Commission.

Further work is also continuing through the year to review and assess the opportunities identified through stakeholder engagement, both internally and with Calgary Economic Development. It is expected that additional reporting to Council on the progress of this work will be brought forward in Q4 of 2017, or earlier if immediate Council direction is required to facilitate action.

**Stakeholder Engagement, Research and Communication**

Urban Strategy has been working with Calgary Economic Development and its various committees on these matters for over a year. Additionally, a targeted commercial real estate broker session was held on February 06 to gather input on specific case studies and to verify perceived challenges in the leasing process.

Urban Strategy hosted two internal staff workshops on February 14 and 15 with frontline staff that regularly deal with change of use and other development application and business licensing in the Centre City. This has established an informal network that will continue to work on the Mid-Cycle Budget initiatives in conjunction with the implementation of the Zero Based Review work underway in the Planning and Development Department.

**UPDATE ON MID-CYCLE BUDGET ADJUSTMENT INITIATIVES: CENTRE CITY  
ENTERPRISE DISTRICT, POP-UP RETAIL PROGRAM AND SMALL BUSINESS TACTICAL  
SUPPORT TEAM**

---

**Strategic Alignment**

This report is directly aligned with Council's priorities as approved in 2016 November through the Mid-Cycle Budget Adjustment process. It is also aligned with the recent Council approved Notice of Motion moved by Councillor Farrell and seconded by Councillor Woolley to hold a Downtown Economic Summit. Urban Strategy will ensure the work recommended in this report will be coordinated with any action plans coming out of the summit.

**Social, Environmental, Economic (External)**

The proposals outlined in this report are a direct outcome of the Action Plan Mid-Cycle Adjustments that had a focus on addressing the impacts of the economy on the community. The Centre City has been one of the hardest hit areas in terms of employment loss and vacancies. There are also significant social impacts on business and employees of those businesses relative to job loss and financial hardship. These proposals could help enable business start-up and the creation of new jobs to replace those lost as a result of the downturn.

**Financial Capacity**

**Current and Future Operating Budget:**

Council approved funding of \$50,000 for each of the Mid-Cycle Budget Initiatives identified in this report. To date, none of this funding has been spent; all work to this point has been done as part of normal business operation of both The City and Calgary Economic Development.

**Current and Future Capital Budget:**

There are no capital budget implications as a result of this report.

**Risk Assessment**

In addition to the risks identified and discussed in this report, overall, the risk of not proceeding with the bylaw changes recommended in this report is that there will continue to be challenges with the leasing of vacant space in the Centre City. This lack of action on the vacancy situation may only serve to further erode business confidence and the perception of the Centre City as a place in the city to invest in as the economy stabilizes or improves in the near future.

**REASON(S) FOR RECOMMENDATION(S):**

Administration is making these recommendations based on strong consensus from both internal and external stakeholders that the proposed bylaw changes will provide some stimulus and incentive for new business to locate in the Centre City. These proposed changes can also be used to communicate and market that The City is taking an active approach to addressing the current economic challenges. This may help to generate interest in the Centre City from both local and external business interests.

**ATTACHMENT(S)**

1. Summary of Stakeholder Engagement to Date
2. Map of Centre City Enterprise District Area.
3. **Administration PowerPoint Presentation**