



# Unlocking the Potential of Industrial Development in Calgary

Presented by:

Members of the City-Wide Growth Strategy Industrial  
Working Group

## Presenters:

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## Panel:

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Barry Sullivan, Kumlin Sullivan Architecture Studio

Jay German, Ronmor



**Leslie Shier**  
Calgary Economic Development

**Opening Remarks**



**Paul Marsden**  
Colliers International

**State of the Union...**  
**Why this is work SO important to the City of Calgary**

# CALGARY INDUSTRIAL MARKET REAL ESTATE REVIEW

**PRESENTED TO:**

City of Calgary  
Planning and Urban Development  
March 3<sup>rd</sup>, 2021

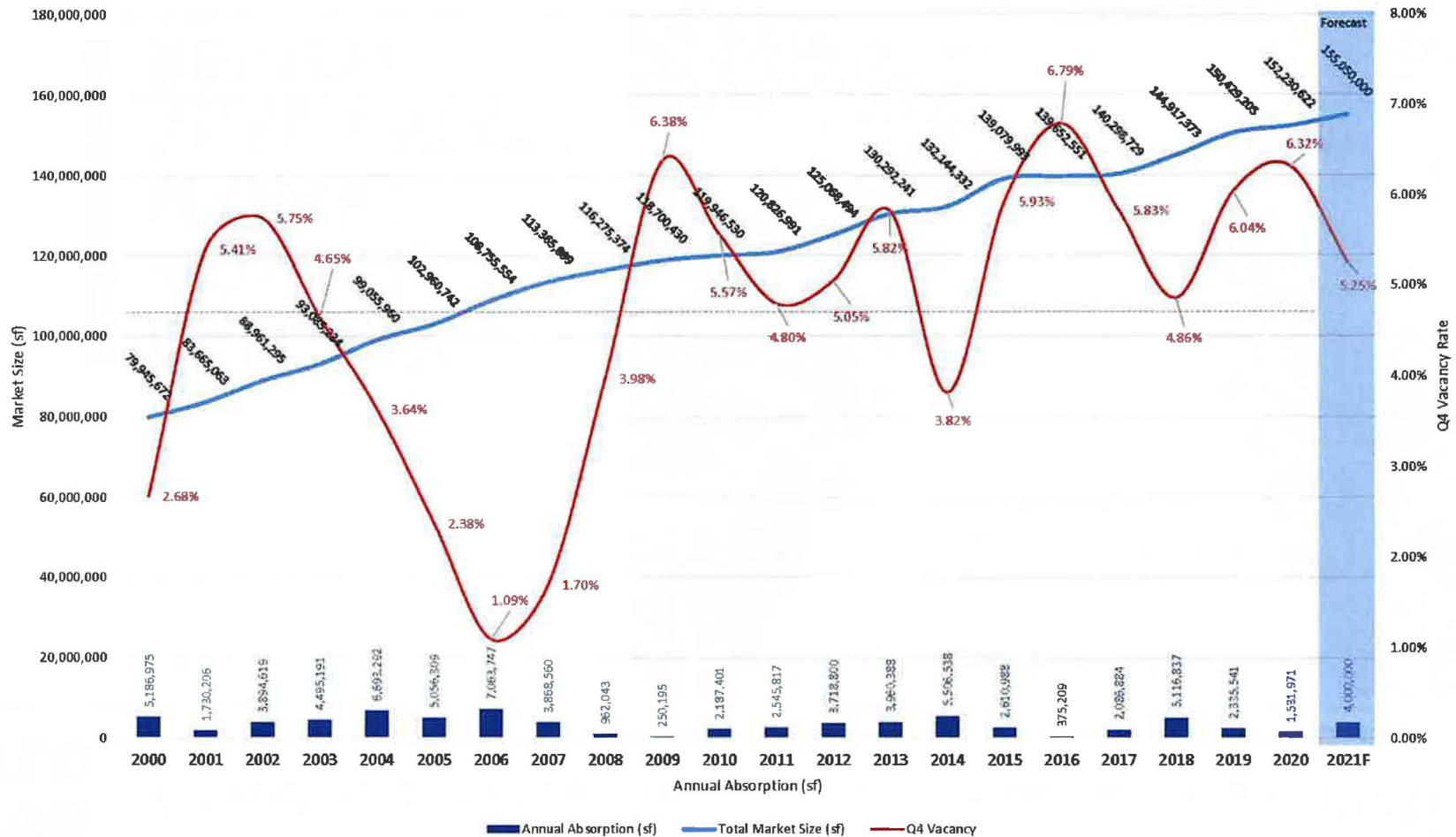




# 20 YEAR MARKET PERFORMANCE

## KEY CONSIDERATIONS

- City of Calgary market size is ±137,000,000 SF
- 20 year average annual growth of 3.29%
- Industrial market expected to grow by ±100,000,000 SF over the next 20 years



# MARKET GROWTH

## BALZAC MARKET SIZE

- Q4 2011: 775,500 SF
- Q4 2020: 7,490,154 SF
- Expected to surpass 9,000,000 SF in 2021

## NORTHEAST CALGARY MARKET SIZE

- Q4 2011: 36,405,078 SF
- Q4 2020: 45,300,122 SF

## SOUTHEAST CALGARY MARKET SIZE

- Q4 2011: 51,494,780 SF
- Q4 2020: 62,062,264 SF

## KEY CONSIDERATIONS

- Inventory growth largely driven by **speculative development**
- 2021 will be **first year** Rocky View County will develop more than the City of Calgary
  - That trend is expected to continue into 2022 and 2023



# BALZAC... THE OCCUPIERS PERSPECTIVE

## TENANT'S DECISION MATRIX (WEIGHTING OF DECISION)



## NEW DEVELOPMENT COST COMPARISON (400,000 sf building on 20 acres)

	City of Calgary	Rocky View County
<b>Net Rent Snapshot</b>		
Land Cost (Per Acre)	\$700,000	\$450,000
Building Hard Cost	\$65.00	\$65.00
Soft Cost	\$2.00	\$8.00
TIA's & Fees	<u>\$7.00</u>	<u>\$7.00</u>
All-In Cost PSF (including land)	\$115.00	\$102.50
Development Yielded	6.00%	6.00%
<b>Net Rental Rate (PSF)</b>	<b>\$6.90</b>	<b>\$6.15</b>
<b>Operating Costs</b>		
Property Taxes (assuming construction costs are assessed values)	\$2.23	\$1.15
Other Operating Expenses	\$0.85	\$0.85
<b>Operating Costs (PSF)</b>	<b>\$3.08</b>	<b>\$2.00</b>
<b>Summary</b>		
Gross "Net & Op Costs" PSF	\$9.98	\$8.15
Annual Gross Rent	\$3,992,000	\$3,260,000
<b>Annual Cost Difference</b>		<b>(\$732,000) or (\$1.83 PSF)</b>



**CURRENT SAVINGS OF 18% ANNUALLY TO LOCATE IN THE ROCKY VIEW COUNTY**



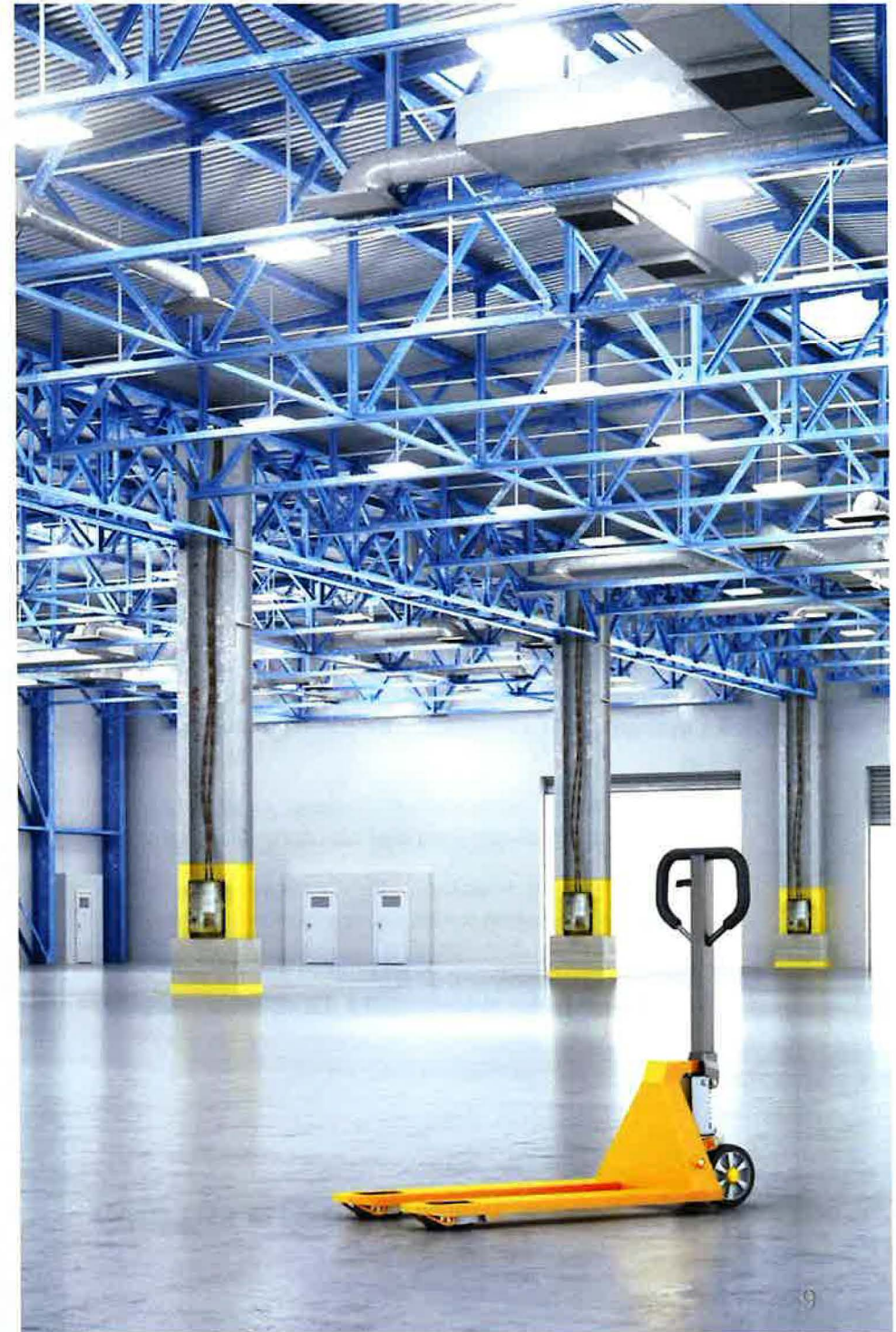
# SUMMARY OF BALZAC

## WHY IS BALZAC WINNING?

- Aggressive tax rate.
- Lower development standards and therefore lower land development costs.
- Large parcels of land for development with relatively flat topography and development friendly configurations.
- Vast area structure plan with a focus on industrial development.
- Aggressive development community who is seizing the opportunity.
- Reputation & Momentum (proven success).

## WHAT ARE THE BALZAC CHALLENGES?

- Lack of available public transit & amenities.
- Market is unproven for small and mid-bay users (<50,000 SF).
- Perception of limited workforce due to location.



# RISK TO NE CALGARY

## CITY OF CALGARY PROPERTY VALUES

- Upon leases expiring, tenants currently located in NE Calgary will leverage Balzac to NE Calgary landlords. The outcome will be:
  1. Relocation to Balzac, creating vacancy in the buildings in NE Calgary and thus reducing property values (same concept as depressed values in Downtown Calgary), or
  2. The Landlord's in NE Calgary will renew their tenants at a lower rental rate to compete with Balzac gross rental rates, thus reducing property values.
    - ◊ Either outcome is a negative for both the owners of the real estate, and the City's tax revenue source.

## DEVELOPMENT STAGNATION

- Developers elect to stop building within the City limits, or they choose to build smaller speculative developments, losing out on large scale users.
- Land positions take longer to absorb, meaning developers have a higher 'all-in' cost due to holding timeframes, continually making them less competitive.

## (AND THE CITY OF CALGARY MORE BROADLY)

## ANOTHER MARKET EMERGING & CONTINUED COMPETITIVE ADVANTAGE

- Development community continues to find/source land on the south and east side of Calgary to create a "Balzac 2.0".
- Rocky View County sees potential of high-grading their 'trucking hub' on the 84<sup>th</sup> Street corridor, to a second 'logistics hub' in the county.
- Current momentum and significant increase in tax revenue for the Rocky View County eases their ability to maintain lower tax rates.

## EVAPORATION OF LARGE USERS

- Who's Moved? | Sobeys, Lowes, Smuckers, GFS & more.
- Who's "One-Foot-Out"? | Walmart, Home Depot, Amazon...
- Who's At Risk of Fleeing? | Loblaw, Cabela's, Saputo, Federated Co-op, Coca Cola (all >400,000 SF), and any new entrant of relevant size or scale.

## **NAIOP / BILD**

### **Administration's Report & Recommendations**



## Supporting Administration:

- Industry appreciates the focus that the planning and development dept. has brought to the industrial growth strategy.
- Welcomed the City commissioning Cushman Wakefield to provide expert research and recommendations.
- Administration and Industry created the *Citywide Growth Strategy : Industrial Action Plan*.  
This plan in **Attachment 3** encompasses a full corporate strategy as it applies to the Industrial Growth Strategy
- Industry appreciates having the full support of Administration to ensure success of the Plan.



## Industries **Priorities:**

On June 25, 2020 Industry presented Administration with the 4 priorities that are the backbone of restoring an environment in Calgary to unlock industrial development.

1. Analyze and reassess **Offsite Levies**
2. Identify how **tax reform [& incentives]** can create and expedite Industrial development (close the delta on RVC's tax advantage)
3. Amend the **Land Use Bylaw** to expand districts and reduce Change of Use (create a DC land use district)
4. Revisit **development standards** for Industrial lands

## How have Industries Priorities been incorporated into the Growth Action Plan?

### Industry Priority 1:

Analyze and reassess Offsite Levies

### Growth Action Plan:

#### C. Cost

##### 1. Development Cost (Industry priority):

- i. Ensure the costs and benefits to the industrial sector of the off-site levy calculations and processes are considered in the Off-Site Levy Bylaw Review work

## How have Industries Priorities been incorporated into the Growth Action Plan?

### Industry Priority 2:

Identify how tax reform [& incentives] can create and unlock Industrial development.

### Growth Action Plan:

#### C. Cost

1. Property Taxes (Industry priority): **Identify and evaluate solutions for improving the competitiveness of Calgary's non-residential tax rate for the industrial sector.**

Align with other City of Calgary growth and business friendly initiatives, including the Financial Task Force (FTF), the Council-led Business Advisory Committee (BAC) and the Administration-led Real Estate Working Group (REWG)

***NOTE: Industrial Development cannot wait for full Tax Reform...***

***Council needs to approve interim solutions, such as tax reallocation for Grant Programs, to off-set the Tax Differential between Balzac (RVC) & Calgary***

## How have Industries Priorities been incorporated into the Growth Action Plan?

### Industry Priority 3:

Amend the Land Use Bylaw to expand districts and reduce Change of Use [create a DC land use district]

### Growth Action Plan

#### A. Development Enabling Regulatory Improvements

1. Streamlining Land Use Bylaw Industrial Districts (Industry priorities):
  - i. With industrial stakeholders, **pilot an Industrial Direct Control land use district that increases flexibility for industrial uses**
  - ii. Prioritize the review and update of industrial districts (Part 8) of the Land Use Bylaw



## How have Industries Priorities been incorporated into the Growth Action Plan?

### Industry Priority 4:

Revisit development standards for Industrial lands

### Growth Action Plan

C. Cost

2. Development Cost (Industry priority):

ii. **Identify and review development standards, approvals and fee structures that support the financial feasibility of industrial development.**

## Other Action Plan Initiatives:

The Action Plan contains a number of important initiatives listed below that Industry recognizes are important to a long term growth strategy.

We caution that the **4 Priority Initiatives** must take precedence.

- Identify and prioritize investments that enable growth and enhance regional goods movement as part of budget preparation and adjustments.
- Ensure investments that benefit industrial are considered as part of the 2023-2026 service plan and budget cycle.
- Encourage intensification of the existing industrial parcels as outlined by Cushman Wakefield.
- Encourage larger industrial-designated parcels to maintain industrial land uses.
- Identify the importance of industrial development to internal and external stakeholders during policy exercises that impact industrial areas such as Airport Vicinity Protection Area (AVPA) related projects, and local area plans

## What are the **key findings** from Cushman Wakefield? (Chapter 8 of the Industrial Growth Consultant Report)

- Opportunity to **intensify** a number of existing sites.
- There is **adequate supply** of planned industrial lands.
- **Resist conversion** requests for large industrial sites (+5ha).
- **Improve monitoring** of all aspects of Industrial development.
- Harmonize/simplify the list of **permitted and discretionary land uses**.
- Support for the **Industrial Urban Form categories** in the Guidebook for Great Communities.
- Must address **disparity in property taxes** between the City and Region.
- Although complex, comparing levies and development costs between the City and Region, the **County costs significantly less to develop**.

## What are the **RISKS** if the Action Plan is refused or materially changed?

- Failing to capitalize on the advantage of our strategic location in Western Canada (inland port)
- Missing out on a major driver of employment for the foreseeable future. (+30K jobs in 25 years)
- Allowing the County to capture more development and losing significant non-residential tax base
- Disregarding a sector that is performing well in spite of the Pandemic
- Stagnating already serviced land
- Reduced land values
- Reduced economic stability





Citywide Growth Strategy: Industrial PUD2021-0150



# QUESTIONS ?

