



Industrial Stakeholder Whiteboarding – What we heard report

What we Heard

During the meeting, the Business Advisory Committee (BAC) engaged with key Industrial Stakeholders to better understand the issues, opportunities and provide input on the processes when doing business with The City of Calgary.

The primary reason of engaging the stakeholders is to find what can be done to help achieve the following goals:

1. **The City of Calgary becomes competitive in the industrial land space**
2. **Identify and maximize The City's market positioning in the industrial land market**

In order to obtain stakeholders feedback the meeting was focused on two key questions:

- Why Calgary's industrial sector is at a disadvantage in the region?
- How to keep industrial sector/land competitive?

Based on stakeholders' feedback BAC have identified the following directions for administration:

- A. **Three immediate short-term priorities which require three (3) to four months (4) to be resolved in order to advance the two goals outlined above. They are as follows:**
 1. **Remove community services portion from industrial properties' off-site levy. [Issue 2B partial]**
 2. **Less complicated industrial land use bylaw districts and uses by allowing more permitted uses in industrial areas. [Issue 3A]**
 3. **More effective and efficient processes reducing timelines of approval for industrial districts. [Issue 3B]**
- B. **Table 1 below highlights all major issues and opportunities stakeholders believed are required to be addressed to advance the goals above. Administration to report back to BAC in thirty (30) days with:**
 - a. **Issues and opportunities that are already being addressed by other initiatives related to Industrial Land and the timeline to be completed**
 - b. **Timeline to address the issues and opportunities not being addressed by other initiatives related to Industrial Land**

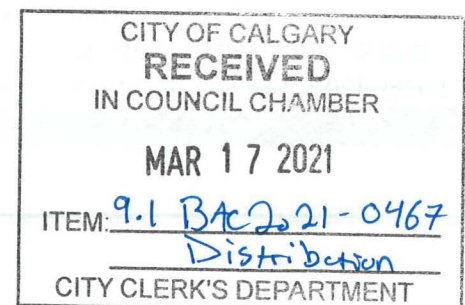


Table 1 – Issues and Opportunities identified by Industrial Stakeholders

| Theme | Issue | Context and details around the issue | Comments from stakeholders |
|---|--|--|---|
| Theme 1: The City's over control of the industrial land base and when and how it is developed <ul style="list-style-type: none"> Based on the Cushman Wakefield report, The City is a dominant owner of land with 4,000 acres of future industrial land. <p><i>Quote: "The City controls much of the industrial land base and controls when it is developed. The City should get out of the industrial land business. The idea of selling raw land is one that should be considered".</i></p> | 1A - Bottleneck with Real Estate & Development Service (RE&DS) increases cost for stakeholders to develop land | <p>Current scenario - The City is not well positioned to control land and how development is conducted, therefore The City should not be in the business of land development. The current scenario is:</p> <ul style="list-style-type: none"> The City is not able to move as quick as the private sector, Land not priced competitively. City has a non-negotiable approach. <p>RE&DS Development Review Committee (DRC) – the review process and approval of this committee overlaps with the Land Use processes. The DRC processes doesn't take developer's time constraints and adds months to permit process.</p> <p>Future scenario - The future scenario would have private developers to take on the costs, so The City doesn't have to have the burden of servicing costs and waiting to sell the land. Additionally, private developers could plan landscaping and servicing faster than RE&DS who in turn requires a longer time to make a decision.</p> | <p>"Rocky View County (RVC) moves MUCH faster but much smaller amount of applications coming through, make decisions quicker."</p> <p>"City should be in the business of essential services, not land development"</p> <p>"RE&DS to act and be treated like a private developer, they don't factor in taxes that a private developer has to pay"</p> |
| | 1B – No focus on the industrial market where Calgary can be best positioned | <p>Niche market focus – Work in complete collaboration with industry to establish what belongs where on our land holdings. The RVC corridor could be tapped out in ten years. Due to challenges on how the land is currently serviced there (i.e. water and sewage) there won't be any serviceable land left in the RVC area. There are niche opportunities /shortage in the market for Calgary:</p> <ul style="list-style-type: none"> Small/medium options: land for 10,000 to 20,000 square feet builds South area of Calgary can accommodate 30,000 to 50,000 square feet spaces | <p>"No one is building 10-30,000 square feet range. New development coming on is for really big buildings. Won't have enough inventory. Get that land in production as soon as possible and should be smaller. Its tough for The City to compete for the really big guys, but there will be a lot of need for smaller parcels. This is the sort of product we should be providing."</p> |
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| | | <p>Currently there is:</p> <ul style="list-style-type: none"> Artificially higher prices which is not competitive. Lack of expertise and resources capacity within The City to best manage land holdings | |
| | 1C – Land is underserved or not serviced at all | Land servicing balance - There should be a balance to service land. It must have the appropriate level of servicing (i.e. water is key for development) to attract prospective tenants. Currently the east side of the city is not serviced | |
| | 1D – Not enough city support to develop spec buildings within the industrial market | <p>Industrial Spec Building – Importance of spec buildings within the industrial market:</p> <ul style="list-style-type: none"> About 75% of market is spec on annual basis. 80-90% of new construction for industrial is out of the city Key companies (i.e. Target/Amazon/Lowes) are deciding to take their operations to RVC. <p>Opportunity: There is an opportunity to create an incentive where The City could allow pre-builds as an incentive with taxes waived until a tenant is found.</p> | |
| <p>Theme 2: Taxes and Levies</p> <p><i>Quote: “Taxes are the top priority to be addressed. Levies are becoming the number 1 impediment for</i></p> | 2A - Higher taxes are a competitive disadvantage when compared to the region | <p>Foregone taxes - There are 4000 acres of industrial land which is not paying tax and is also an unfair competitive advantage. How much in tax dollars is foregone each year by The City holding this land?</p> <p>Tax ratio - Although it is unpopular, tax ratio must go more towards residential. Residential taxes simply need to come up. Industrial requires less city services than residential. There is an opportunity to introduce a cap to industrial land tax.</p> | <p>“Balzac is 5 minutes away and you save millions in tax”</p> <p>“As a business owner operating in the city the pressure to move and follow competition to the RVC is increasing and our view currently is its only going to get worse”</p> |

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| industrial land development <i>Quote: “How do we make it easier for developers and tenants/landlords in industrial world? We have to focus on this first. Right now, time delays and roadblocks are major, not just about taxes.”</i> | 2B - Higher levies* and other development costs are a competitive disadvantage when compared to the region [<u>partial Short term</u>] <i>* Actions related to Levies should be aligned with the audit currently being conducted.</i> | Community services portion of levy [<u>Short term</u>] - New developments levies are very punitive. Industrial use the least amount of community services. There is an opportunity to consider: <ul style="list-style-type: none"> Fees vs. upfront levies - a total rethink is needed and is what is being looked at. Community services costs (i.e. recreation) should not be included and a different percentage (i.e. not 100%) of utilities should be considered This can be addressed by eliminating these from the levy and/or also reducing the employment densities assigned to industrial to be more realistic for these large box uses. This was left off in the 2016 levy negotiation. | “When the land gets into private hands they’ll find that development costs, which include levies, make servicing that land uneconomical. We need to get those under control first to make that strategy work.” “Create a policy similar to Edmonton to pay back infrastructure costs” |
| | | Separate levy - separate levy bylaw for commercial and industrial land. Residential development is the driver of levies. | |
| Theme 3: Regulatory Framework (process; policies and bylaws) <i>Quote: “How do we make it easier for developers and tenants/landlords in industrial world? We have to focus on this first. Right now, time delays and roadblocks are major, not just about taxes.”</i> | 3A Fragmented/Complicated Land Use districts [<u>Short term</u>] | Land Use districts - There should be a consolidation of the industrial land use districts. Previous zoning use to be I-1, I-2, I-3, I-4. Previous districts in LUB 2P80 (previous land use bylaw) were perfect. Centre City Area – There is positive feedback on the Centre City Enterprise Area. There is an opportunity to use the rationale behind the model towards industrial area. | |
| | 3B – Slow decision making by The City, application review & other bureaucratic processes [<u>Short term</u>] | Slow decision making - The current environment requires a faster decision-making process (i.e. Land Use Approvals are slow) which is four times slower than private sector business dealings. Furthermore, The City does not prioritize applications similar to other jurisdictions and all applications are treated the same. | “When we have design criteria for industrial land we turn it around in a day. So it can be done but city staff have a different concept of time and do not connect it with cost the way it should.” |

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| | | <p>Permit process - Difficult when administration does not want to bring certain aspects back to Council after a plan has been formulated and approved. The permit review process takes too long and is more complicated than it needs to be for straight forward buildings. Develop the bylaw so it allows for new permitted industrial building developments.</p> <p>Vertical build - To take raw, un-zoned, un-serviced land takes years to build vertical because The City takes so long. RVC has so much land whereas The City has option to build vertical. This should have changed 10-20 years ago when businesses started to leave. If the land meets all the requirements, permits should not take 6-12 months to process.</p> <p>Opportunity: Develop a concierge service to walk companies through the regulatory process at City of Calgary. Money will be better spent trying to better the speed in which we do the business. Moving at a corporate rate rather than at the rate of government.</p> | <p>“City's attitude is not pro-business - doesn't matter who they are, we make them get in line and don't treat them with the priority they deserve.”</p> |
| Potential other considerations for solutions from stakeholders | | | |
| I. | Strategy to sell 10% of our industrial land each year for 10 years. Identify the land The City would consider selling with partial services, status of the land and market it. Open the offer in different land/acre parcel sizes and let developers bid. | | |
| II. | Develop incentives (i.e. subsidy from grants like Chestermere) by selling off some of the industrial land. Revenues from sales can go towards subsidizing further incentives. It needs to: <ul style="list-style-type: none"> a. Be an incentive for new speculative building and development sites. b. Not just short term but long term, tax free period for new and vacant land. c. Be combined with long term tax strategy. | | |