

Downtown Calgary Development Incentive Program Terms of Reference

1. Introduction

1.1 Background

The Downtown Calgary Development Incentive Program (the Incentive Program) was established in 2021 April by Council in report *C2021-0524 Realizing Calgary's Greater Downtown Plan: Initial Investments and Incentives* with an initial investment of \$45 million to fund the program. The approved report was presented in conjunction with report *PUD2021-0220 Calgary's Greater Downtown Plan: Roadmap to Reinvention* that detailed the 10-year implementation plan.

1.2 Purpose

The Incentive Program's purpose is to provide financial incentives to assist with the removal of approximately six million square feet of office space in the Greater Downtown Plan Area over the next 10 years (2021 to 2031). The Incentive Program will require a total estimated \$450 million of investment over the 10-year period to have a meaningful impact upon downtown office and residential space. At this time, \$45 million in funding has been identified and approved by Council. The removal of vacant office space can be achieved through conversion to residential or other adaptive uses, or through potential demolition and rebuild of non-office space. Without the Incentive Program, office conversions or redevelopment projects will likely not occur.

The overall goals of the Incentive Program are to increase overall economic activity in the Greater Downtown Plan Area by:

- Removing office space from the Greater Downtown Plan Area – with a priority area of the Downtown Core;
- Increasing downtown residential dwelling units to improve vibrancy; and
- Reducing the downtown office vacancy rate and supporting property values and the non-residential property tax assessment base.

2. Area of Applicability

2.1 Incentive Program Area

The Incentive Program Area is defined to be the Greater Downtown Plan Area as established in *PUD2021-0220 Calgary's Greater Downtown Plan: Roadmap to reinvention* (map outlined in Appendix A). The priority for the initial investment will be on the Downtown Core as highlighted on the map, as this is the area with the highest office vacancy. However, potential projects within the Greater Downtown Plan Area will be considered after the initial phase.

2.2 Out of Scope

- Projects located outside of the Greater Downtown Plan Area.
- New builds of residential and new builds of office developments.
- Property owned by any municipal, provincial or federal government, or any subsidiary or affiliate thereto.

3. Term: 2021 August 01 to 2022 July 31

3.1 Phase 1: 2021 August to December

- Office to residential conversions.

3.2 Phase 2: 2022 January to July

- Additional office to residential conversions.
- +Inclusion of office to other adaptive uses. Incentive amount to be determined.
- +Office demolition and rebuild to non-office use. Incentive amount to be determined.
- +Office demolition and new builds of residential. Incentive amount to be determined.

4. Grant

4.1 Phase 1 Office to Residential Conversions

- The Incentive Program is offering a grant for office to residential conversions of \$75 per square foot based on the original gross building area of existing office that will be converted.
- The grant will be up to a maximum of \$10 million per property unless Council approves a greater amount for a particular application.

4.2 Phase 2 Additional Office Conversions to other Adaptive Uses and/or Demolition and Rebuild

- Further analysis is currently underway to assess the potential grant amount calculation available per project for conversions to other adaptive uses (anything other than residential uses).
- Analysis is also underway to consider scenarios for demolition and rebuild to non-office uses.
- Approval for the grant criteria added in Phase 2 for other non-residential uses will be brought forward for approval by Council no later than 2021-Q4.

5. Decision Making & Approval Levels

5.1 Incentives Approval Committee

The Incentives Approval Committee consists of two members:

1. General Manager of Planning & Development; and,
2. Chief Financial Officer or other Finance designate.

5.2 Decision Making

- All application decisions made pursuant to this Incentive Program shall be in the sole and exclusive discretion of the Incentives Approval Committee.
- In the event where an application results in a grant amount that is greater than \$10 million, the evaluation process will be conducted by the Downtown Strategy Team, recommendation will be made to the Incentives Approval Committee for decision to proceed to Council for approval.

Approval Range (per Project)	Decision Making
Up to \$10 million	Incentives Approval Committee
Greater than \$10 million	Council

6. Criteria

6.1 Phase 1 Criteria

All application decisions made pursuant to this Incentive Program shall be in the sole and exclusive discretion of the Incentives Approval Committee.

To be considered eligible to be approved by the Incentives Approval Committee, an applicant must first satisfy the criteria outlined below. The criteria below must be met to be considered for the Incentive Program.

1. Elimination/removal of office space.
2. Conversion from office space to residential space.
3. The property is located within the Greater Downtown Plan Area.
 - Projects located in the “Downtown Core” portion are strongly encouraged and will be given priority in the review and project approval process.
4. The applicant is the property owner¹ or their designated agent, or the applicant provides authorization from the property owner that is satisfactory to The City of Calgary.
5. Evidence of project financing.
6. Applicant track record.
 - a. The applicant shall submit their project experience similar to scope and size contemplated in the application. If the applicant has no conversion experience, the consultants/ advisors that have conversion experience shall be named complete with their relevant experience. The development manager(s) or development consultants must have a proven track record in office to residential conversions or major urban renovation projects. The City’s previous dealings with the applicant, if any, including the applicant’s history of compliance with previous agreements and/or requirements of development, may also be considered.
 - b. The applicant shall prove to the satisfaction of the Incentives Approval Committee that the applicant has the human resources from a project management, supervision and execution perspective (if not own staff then via consultants) available in Calgary.
 - c. Details about the applicant shall be provided with the application as follows:
 - Age of entity/corporation;
 - Type of entity/corporation (legal and industry); and,
 - Proof of good standing with respect to annual filings, corporate standing, and financial capacity.

7. Application Process, Review, and Approval

Phase 1

7.1 Launch Date

Subject to Council’s approval of the Terms of Reference, the Incentive Program will be launched in middle of 2021 August.

7.2 Application Intake Period

- 2021 August 16 to 2021 September 15.

¹ For the purposes herein, “property owner” means the registered owner of the fee simple estate of the subject property as registered at the Alberta Land Titles Office.

7.3 Incentive Program Information

The Incentive Program Terms of Reference, Program Guide, application form, application process, and information will be available on The City of Calgary's website and communicated through stakeholder groups.

7.4 Application Requirements

- a. Overview of the proposed project
 - Ownership of the subject property (as outlined herein)
 - Intent of project – conversion of xx square foot of office to xx square foot of future use
 - Estimated total conversion costs
 - Estimated timeline to completion
- b. Description and background of the existing asset
 - Current use and vacancy status
- c. Overview of the physical location of the proposed project
 - Project address/location
- d. Project proposal
 - What is being proposed
 - Who will be involved in the conversion project (applicant's team and list of consultants such as architects, designers, engineers, or agents)
 - Special considerations – for example, heritage or other
 - How, and from whom, financing and/or capital is to be sourced
- e. Project readiness
 - Status of financing/funding
 - Construction drawings and building permits

7.5 Evaluation

- The Downtown Strategy Team will review applications based on the criteria set out in the Terms of Reference.
- The Downtown Strategy Team will endeavour to review applications within four weeks from the close of the intake period. This timeline is subject to extension based on a variety of factors. Furthermore, a timely review of an application requires the applicant and the Downtown Strategy Team to work collaboratively and the applicant must provide documentation or other information as required on a timely basis to facilitate these timelines.
- Following review by the Downtown Strategy Team, application(s) will be brought forward to the Incentives Approval Committee for decision (approval or refusal) within two weeks.
- Applicants will be informed by the Downtown Strategy Team of the status of their application once the Incentives Approval Committee has decided to approve or refuse the application.
- For applicants that submit viable conversion proposals, but where funding is not available in Phase 1 of the Incentive Program, those applicants will have their

applications rolled over and prioritized for consideration under future phases of approved funding.

7.6 Approval of Applications

- All application decisions made pursuant to this Incentive Program shall be in the sole and exclusive discretion of the Incentives Approval Committee.
- Application decisions, including approvals, made pursuant to this Incentive Program do not: (1) constitute the granting by the municipality of The City of Calgary of any approval or permit as may be required pursuant to the *Municipal Government Act (Alberta)* or any other legislation in force in the Province of Alberta, including approvals of subdivision and permit applications and any land use redesignation applications, or (2) restrict the municipality of The City of Calgary, its Council, officers, employees or agents in the full exercise of any and all powers and duties vested in them in their respective capacities as an approving authority over subdivision and permit applications and land use redesignation applications, or as a governmental authority.

Approvals will be provided under the following categories:

- a. Pre-approval of Application (pre-approval commitment letter)
Subject to satisfactory receipt of financing commitment from a Charter Bank or other recognized financial institution within a timeline of 6 months. If this condition is not satisfied within the timeline established herein, the pre-approval may be unilaterally revoked. If an applicant elects to self-fund, evidence of internal financing is required.
 - b. Approval of Application
All conditions have been satisfied and applicant is ready to proceed to entering into a Funding Agreement upon receipt of satisfactory financing commitment from a Charter Bank or other recognized financial institution. If an applicant elects to self-fund, evidence of internal financing is required.
 - c. Formal signing of Funding Agreement
Final commitment for the Incentive Program. A Funding Agreement will be prepared for signing by the applicant and The City of Calgary, laying out the responsibilities and obligations of both parties. If stage gates during the construction process are not met, the Funding Agreement may be terminated. When a Funding Agreement is signed, a building permit approval needs to be in place within no more than six months following the conditional pre-approval of the project.
- Successful applicants must provide regular reports to the Downtown Strategy Team on progress towards completion – the details of reporting requirements will be outlined fully in the Funding Agreement. These reporting requirements may include copies of progress draws from lenders or other supporting documentation to confirm ongoing progress on the project. If an applicant elects to self-fund, evidence of internal financing is required.

7.7 Grant Payment

The grant will be payable upon fulfilment of the terms of the Funding Agreement, completion of construction, and receipt of occupancy permit.

8. Monitoring & Reporting

8.1 Reporting

- The success of the processes defined in these Terms of Reference will be monitored on an ongoing basis.
- The Downtown Strategy Team will provide a report on the Incentive Program's results, financial status, and recommendations on future program terms of reference to Council by 2022-Q4.

8.2 Effective Date

These Terms of Reference are effective on the date they are approved by Council.

9. Confidentiality

For the purposes of this section, "**Confidential Information**" means information considered proprietary to an applicant and disclosed to The City pursuant to this Incentive Program, and includes all material, data and information (regardless of form and whether or not the same is protected by copyright, patent, or other applicable law) which is not available to the public. "Confidential Information" does not include any information that: (i) is now in or subsequently enters the public domain through means other than by the direct or indirect disclosure by The City; (ii) is already in the possession of The City; (iii) is lawfully communicated to The City, free of any confidentiality obligation; (iv) The City has received the applicant's prior written approval to disclose; or (v) The City is required to disclose pursuant to the Municipal Government Act (Alberta), the Freedom of Information and Protection of Privacy Act ("**FOIP Act**"), or any subsequent legislation of similar effect, or The City is required to disclose pursuant to any law or order of a court having jurisdiction over the matter.

Applications may include the Confidential Information of the applicants. The City shall make all reasonable efforts to maintain in confidence the Confidential Information. Without limiting the generality of the foregoing, The City will make reasonable efforts to keep, file and store all Confidential Information, together with any notes or other material incorporating or relating to the Confidential information, in a manner consistent with the FOIP Act, as well as in a manner consistent with its confidential nature and to take all reasonable action, whether by instruction, agreement or otherwise, to ensure that its employees do not disclose or use the Confidential Information directly or indirectly, for any purpose other than the purposes for which it was provided.

Notwithstanding the foregoing, The City may be required to disclose Confidential Information pursuant to its public disclosure obligations as contained in the FOIP Act. Should such disclosure be required, The City shall use its reasonable efforts to limit that disclosure and, in any event, shall make that disclosure only to the extent so required. The City shall communicate its disclosure obligations to all applicants and advise them that any disclosure of Confidential Information pursuant to The City's obligations under the FOIP Act shall not breach any obligation of confidentiality that may exist between The City and applicant.

Appendix A:

Downtown Calgary Development Incentive Program Map



Legend

- Downtown Office to Residential/ Adaptive Use Program Area (Greater Downtown Plan Area)

Program Priority Area – Downtown Core, bounded by:
2 Avenue SW (north)
3 Street SE (east)
CPR Main Line (south)
9 Street SW (west)