

**COMMUNITY ECONOMIC RESILIENCY FUND (PFC2016-0081)
SUPPLEMENTARY REPORT**

EXECUTIVE SUMMARY

On 2016 February 2, PFC2016-0081 Community Economic Resiliency Fund report was presented to the Priorities and Finance Committee. The report recommends that \$14.4 million of the Community Economic Resiliency Fund be allocated to Calgary Economic Development (CED) and Calgary Housing (CH) to undertake strategies that address current economic conditions in Calgary including economic development initiatives and affordable housing. All proposed initiatives increase implementation of the Economic Strategy for Calgary.

At the request of PFC, this supplementary report provides additional information about the projects proposed by CED and CH. It identifies how CED's projects are connected to the Economic Strategy actions, identify key stakeholders and provides additional budget details across all projects. A revised recommendation is made with respect to innovation to provide the opportunity for Innovate Calgary, CED and Administration to develop a plan that would bring stakeholders together, including the Chamber of Commerce, to understand the gaps in policy, programs, places and people and lay the groundwork for a framework. Additional details about CH projects are provided including the cost of fees that is estimated to be covered by the Affordable Housing Development Financial Incentive Program (Development Fee Grant Program Renewal), the total capital spending for these projects, and projected number of units they will bring online. The report includes new information about an alternative CH option, renewal of the Secondary Suite Grant Program, however, this option is not recommended as the program requires additional funds above the allocated amounts.

ADMINISTRATION RECOMMENDATION(S)

That Council:

1. Receive this report for information;
2. Direct Calgary Economic Development to report back with Innovate Calgary and Administration to the Priorities and Finance Committee with a plan to develop an Innovation Framework for Calgary for approval no later than 2016 May prior to release of \$325 thousand of the \$7 million referenced in recommendation 1 of PFC2016-0081.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2015 December 18, Council adopted, moved by Councillor Sutherland, seconded by Councillor Demong, that the Priorities and Finance Committee recommendations contained in Report PFC2015-0959, be adopted, as follows: 1. File the Resolution contained in Report PFC2015-0959; 2. Retain the \$14.4 million in the Community Economic Resiliency Fund; and 3. Direct Administration to work with Calgary Economic Development, Calgary Housing and the Calgary Chamber of Commerce to determine options for the best use of these and other funds, and return to the Priorities and Finance Committee no later than 2016 February 02.

On 2016 February 2, the Priorities and Finance Committee adopted, moved by Councillor Pootmans, that Administration Recommendation 1 contained in Report PFC2016-0081 be approved, as follows: That the Priorities and Finance Committee recommend that Council:

1. Approve a one-time increase to operating budget program 449 - Calgary Economic Development by \$7 million from the Community Economic Resiliency Fund to carry out the

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initiatives detailed in Attachment 3 and direct Calgary Economic Development to report back on the use of the funds through their 10-Year Economic Strategy updates to the Priorities and Finance Committee; Moved by Councillor Pootmans, that Administration Recommendation 2 contained in Report PFC2016-0081 be approved, as follows: That the Priorities and Finance Committee recommend that Council: 2. Approve a one-time increase to operating budget program 494 - Calgary Housing by \$7.4 million from the Community Economic Resiliency Fund to carry out the initiatives detailed in Attachment 2 and direct Calgary Housing to report back to the Priorities and Finance Committee by Q3 2017; and Moved by Councillor Pootmans, that Administration Recommendation 4 contained in Report PFC2016-0081 be approved, as amended, as follows: That the Priorities and Finance Committee recommend that Council: 4. Direct Administration to provide a supplementary report to the 2016 February 22 Meeting of Council containing more information as requested at today's meeting, with respect to Recommendations 1 and 2.

BACKGROUND

Administration worked with Calgary Economic Development (CED) and Calgary Housing (CH) to propose a series of short, mid and longer term projects that are the best use of \$14.4 million and other funds to support economic resilience in Calgary. All of the projects proposed in PFC2016-0081 accelerate the 10-Year Economic Strategy for Calgary. Looking ahead, Administration will continue to work with a broad range of community stakeholders including Civic Partners to identify additional opportunities to strengthen Calgary's economy. At the request of PFC, this supplementary report provides additional details about projects proposed by CED and CH in PFC2016-0081.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

ADDITIONAL CALGARY ECONOMIC DEVELOPMENT PROJECT DETAILS

Additional details about CED's proposed projects are identified in Attachment 1. The projects address opportunities to accelerate implementation of key actions approved by Council in the 10-Year Economic Strategy for Calgary (PFC2014-0809). Other projects are existing Economic Strategy actions that have been revised to address current conditions, or new strategies to address emerging economic challenges that were not anticipated when the Economic Strategy was developed.

Accelerate existing Economic Strategy Actions

Diversification efforts:

- Distribution Centre and Inland Port Implementation
- Talent Pipeline for the Creative Industries
- Agribusiness Action Plan
- Renewable Energy

Reinforce existing Economic Strategy Actions

Be Part of the Energy marketing campaign (BPOTE)
Building an Innovation Movement (deferred)

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Revise an existing Economic Strategy Action:

Workshift Worldwide: Calgary's Global Talent Hub

New Action

Head Office/Real Estate Action Plan

CED identified these projects based on feedback from the key stakeholders of the Economic Strategy and hundreds of conversations with community, business and industry leaders. The broad support for the proposed projects is reflected by the number of letters of support CED has collected and the number of key stakeholders who will work with CED on these initiatives (Attachments 1 and 3).

Marketing campaign

CED proposes to shift the focus of the Calgary Be Part of the Energy (BPOTE) campaign to address Calgary's changing economic situation. The revised campaign will have both a local and out of market focus. The out of market segment will focus on promoting counter-cyclical opportunities; increase energy literacy and the social, environmental and economic imperative of pipelines; and change perceptions of Calgary as an innovative, entrepreneurial and creative city with non-energy related industries.

Budget and Resources

While the majority of funding would be required in 2016-2017 for short to mid-term project work, the funding would be spread over three years to support full implementation. Where required, additional staff resources to undertake this work would be secured through one-year contracts renewed annually as needed. There are a number of common categories of spending across all projects.

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The following is a summary of total spending for all CED projects by category:

Category	Totals	Ratio
Research	\$ 500,000	7.5%
Lead Generation	\$ 425,000	6.5%
Business Development	\$ 1,075,000	16%
BPOTE Out of Market Campaign \$1,000,000		
BPOTE Local Campaign \$500,000		
Marketing components of Accelerating Diversification		
Advertising (key publications and geo-targeted)	\$950,000	
Social Media and Public Relations	\$190,000	
Collateral	\$95,000	
Events in Calgary and out of market	\$380,000	51%
Digital, media and content creation	\$285,000	
	\$ 3,400,000	
Contract Personnel	\$ 1,125,000	17%
Other (programming, operating costs, benchmarking)	\$ 150,000	2%
Total	\$ 6,675,000	
Innovation	\$ 325,000	

Fostering Innovation

Innovation is underway across Calgary, however community and business leaders have identified misalignment between stakeholders in this space, and challenges and opportunities that need to be identified and addressed. A high level assessment of the current ecosystem and a plan to bring together leaders in the innovation space to develop a Innovation Framework that identifies quick wins, addresses the culture of innovation and provides space (not just physical) in the city for innovation to take place is required.

Ultimately, the objective is to foster an innovation ecosystem that creates opportunities, improves our competitiveness and provides an environment where innovators and entrepreneurs flourish. Building an innovation movement takes time, commitment and coordination. Innovation has to be embraced in everything from business and education techniques, decisions about infrastructure in our city, to the creation of technology.

To address these issues, Innovate Calgary, CED and Administration would like the opportunity to develop an Innovation Framework that would bring stakeholders together, including the Chamber of Commerce, to understanding the gaps in policy, programs, places and people and lay the groundwork for a framework that allows us to collectively can fill those gaps. This group will bring the plan back to Council no later than 2016 May for approval.

Leveraging Provincial and Federal Activities

Both the provincial and federal governments are exploring diversification efforts and stimulative infrastructure projects to support Alberta's economy. The Premier's Advisory Committee on the

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Economy is focused on providing economic diversification advice alongside the new provincial Department of Economic Development and Trade. The federal Western Economic Diversification continues to seek opportunities to diversify including a new apparel innovation centre that opened in 2016 January in Calgary. CED has identified a number of opportunities to seek additional funding from Alberta Culture and Tourism, Global Affairs Canada and Western Economic Diversification and will continue to seek opportunities to align and complement any economic diversification efforts at other levels of government and seek funding if available.

ADDITIONAL CALGARY HOUSING PROJECT DETAILS

Attachment 2 provides additional details about the projects Calgary Housing (CH) proposed in PFC2016-0081. It also includes an alternative option which has not been recommended as it requires additional funds and the preference remains to focus available funds on the projects recommended.

While Terms of Reference (TOR) to confirm eligibility still need to be developed, preliminary estimates indicate that the Affordable Housing Development Financial Incentive Program (Development Fee Grant Program Renewal) would cover the fees association with 28 proposed affordable housing projects that are anticipated to start construction in 2016-2018. It is estimated that \$6.589 million in grants would be accessed in 2016-2017 and \$2.973 million after that time. Support for this program is demonstrated by the letters of support CH has collected (Attachment 4). Once developed, CH will circulate the TOR to Council no later than 2016 April.

In total, construction of projects identified to date would generate \$475.63 million in capital spending in 2016 and 2017. It is estimated these projects would bring over 2,000 affordable housing units online in 2017 and 2018.

Leverage

If affordable housing is a component of the Federal Government's anticipated infrastructure investment program, CH's proposed Affordable Housing Development Financial Incentive Program (Development Fee Grant Program Renewal) will leverage this opportunity by helping Calgary's community-based affordable housing projects be positioned to be considered for funding.

Investment Options

Attachment 2 outlines one other CH option for consideration that was not included in PFC2016-0081.

Alternative – Secondary Suite Grant Funding

An allocation of \$3.7 million would renew the Secondary Suite Grant funding and support 140 new units (\$25,000 per unit). However, there is not sufficient funding in current Community Economic Resiliency Fund allocations to support this CH projects in addition to the two recommended. Affordable Housing Development Financial Incentive Program (Development Fee Grant Program Renewal) could be reduced to \$5.4 million and still be successful program for affordable housing community, however, a funding source for the \$2.2 million funding gap would need to be identified.

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REPORTING

PFC2016-0081 recommends that CED and CH report back to Council through existing reporting channels for the best use of time and resources.

CED will have an opportunity to report back through a number of existing processes including:

- CED's annual general shareholder meeting,
- Civic Partners' Annual Report to the Standing Policy Committee on Community and Protective Services, and
- 10-Year Economic Strategy for Calgary annual progress report to the Priorities and Finance Committee.

CH will have the opportunity to report back through the following channels:

- PFC2016-0081 recommends that CH report back to PFC by Q3 2017,
- Calgary Housing Company shareholder's annual general meeting, and
- As a stakeholder implementing 10-Year Economic Strategy for Calgary, through the Strategy's annual progress report to the Priorities and Finance Committee.

Stakeholder Engagement, Research and Communication

Administration worked with CED and CH to gather additional details about the proposed actions. CED engaged with the business community and stakeholders about proposed economic development projects and CH engaged with a wide range of organizations in the affordable housing community.

Strategic Alignment

Projects proposed in this report align with both Action Plan and the 10-Year Economic Strategy for Calgary and further The City's Economic Resilience Strategy. By aligning with the Economic Strategy, they also support the Municipal Development Plan, Corporate Industrial Land Strategy, imagineCALGARY, Centre City Plan, and Enough for All.

Social, Environmental, Economic (External)

The proposals in this report can support The City's efforts to respond to current challenges in the economy, support citizens and businesses, and help prepare for recovery.

Financial Capacity

Current and Future Operating Budget:

One-time funds allocated to this work are based on surplus estimates for 2015 that would normally be diverted to the Fiscal Stability Reserve.

Current and Future Capital Budget:

There are no capital budget impacts identified in this report.

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Risk Assessment

Success of each project proposed by CED and CH has related risks that will be identified and mitigated by these organizations.

As a wholly owned subsidiary of The City, CED has processes for identifying and managing risk. Through consistent communication and annual/audit reporting, Administration works with CED to understand their organizational practices, risks and health. CED will need to increase its capacity to undertake the proposed work. To mitigate the risk associated with increasing capacity, CED will retain, where required, additional staff resources to undertake this work through one-year contracts renewed annually as needed.

Success of each project proposed by CH has related risks. For the Affordable Housing Development Financial Incentive Program (Development Fee Grant Program Renewal), as with most capital infrastructure projects, there is a potential risk that projects in the pipeline may not proceed to development within the next two years or at all due to financing, construction delays, etc. As such, there is a risk that the full amount of the available grant funding may not be accessed within the two year time frame of the program. However, this risk can be mitigated somewhat by developing the Terms of Reference and eligibility criteria that would entice projects to commence within the next two years in order to take advantage of this funding and reduce costs. In addition, there is also the risk that the demand may exceed supply in the funding program. In which case it may be imperative at a future date to consider continuation of the funding program in some form if deemed appropriate and feasible.

For the Coordination of Housing Applications project, the requested funding is to evaluate the challenges, risks, opportunities and feasibility of a registry to coordinate housing applications across housing providers. As such, there is a risk that the findings of the study may not support moving forward with a central housing registry for Calgary or suggest that the potential challenges and barriers require investment in time and resources that the community of affordable housing providers may not consider feasible.

REASON(S) FOR RECOMMENDATION(S):

The initiatives put forward for Community Economic Resiliency Fund support are a coordinated response to Calgary's current economic conditions and they align and increase the pace of implementation of 10-Year Economic Strategy for Calgary.

ATTACHMENT(S)

1. Revised Supplementary Report to Council- Calgary Economic Development Priorities
2. 2016 Investment Package for Affordable Housing
3. Calgary Economic Development letters of support
4. Calgary Housing letters of support