

COMMUNITY ECONOMIC RESILIENCY FUND REPORT

EXECUTIVE SUMMARY

On 2015 December 14, Council established a Community Economic Resiliency Fund to help address Calgary's challenging economic conditions and directed that \$30 million in one-time surplus funds be allocated to the Fund. On 2015 December 18, Administration was directed to work with the Calgary Chamber of Commerce (the Chamber), Calgary Economic Development Ltd (CED), and Calgary Housing (CH) on their respective proposals for the use of a \$14.4 million portion of the Fund. In light of Calgary's current economic challenges, Administration recommends that the funds be split between initiatives in economic development and affordable housing that increase implementation of the 10-Year Economic Strategy for Calgary. The initiatives focus on affordable housing to support an increase in supply and improve access to housing; a renewed marketing campaign for Calgary; labour market initiatives; head office real estate action plan; accelerated economic diversification in logistics, film and creative industries, agribusiness, and renewable energy; and a roadmap for innovation. This report also provides information on a one-time business tax rebate to support Calgary's business community, particularly small businesses, and recommends the discussion be further considered at the Mid-Cycle Review Process.

ADMINISTRATION RECOMMENDATION(S)

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 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;
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
3. Refer Attachment 1 to the Mid-Cycle Review Process for further consideration.

RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, DATED 2016 FEBRUARY 02:

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 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;
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

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Committee by Q3 2017; and

3. Recommendation Lost at Committee.

Opposition to Recommendations:

Recommendation 1

Opposed: N. Nenshi

Recommendation 2

Opposed: P. Demong, N. Nenshi

Recommendation 3 (Motion Lost)

Opposed: D. Colley-Urquhart, P. Demong, D. Farrell, R. Pootmans, W. Sutherland

Excerpt from the Minutes of the Regular Meeting of the Priorities and Finance Committee Held
2016 February 02:

“APPROVE, AS AMENDED, 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:

- “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.”

CARRIED”

PREVIOUS COUNCIL DIRECTION / POLICY

On 2015 December 14, Council adopted a Motion Arising, moved by Mayor Nenshi, seconded by Councillor Woolley, that with respect to Mayor Nenshi’s Motion, Green Sheet: The Community Economic Resiliency Fund, that Council direct Administration to: (i) Meet with Calgary Chamber of Commerce regarding their proposal for a property tax deferral program for businesses who are facing financial hardship due to the current economic situation; and (ii) Analyze the proposal and report back to the Priorities and Finance Committee on the feasibility and implications of implementing such a proposal or other resiliency efforts aimed at small business, along with a recommendation no later than 2016 February 02.

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 2.

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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.

In addition, on 25 January 2016, Councillor Woolley's Motion, NM2016-04, "Relief for Calgary Businesses", was referred to Administration for further analysis. Administration was directed to include the analysis as part of the Community Economic Resiliency Fund Report, and report back to the 2016 February 02 meeting of Priorities and Finance Committee.

BACKGROUND

In response to Calgary's current economic challenges, a number of proposed responses have been developed including a recent Notice of Motion for a proposed one-time reduction of the Business Tax. Rather than adopting a series of unrelated measures, it is necessary to map a cohesive framework of related and complementary initiatives that address key areas of Calgary's economy and community affected by the downturn to best coordinate investment of resources in Calgary. Coordination of people, time, money and brainpower, with a focus dedicated to solutions will help move Calgary collectively forward through the current economic climate.

A strategic framework will identify a cohesive approach to how Calgary can best leverage our land, create job growth and economic prosperity, ensure vibrant neighbourhoods, build an infrastructure that serves citizens and the economy at a reasonable cost, and maintain a high level of community engagement that is integral to our success.

Operational savings and efficiencies within The City have resulted in an estimated 2015 operating surplus of \$30 million. Council directed that these one-time funds be allocated to the Community Economic Resiliency Fund for initiatives that support Calgarians and local businesses affected by the challenging economic conditions in Calgary. The Community Economic Resiliency Fund provides the opportunity to respond to the needs of the community in three ways; citizens see the direct benefit of the fund through frozen fees for key City services, non-profits and business units are able to maintain service levels and meet the increasing demand through the emergency fund and the portion under discussion in this report can be used as a direct stimulus to the economy by investing in initiatives for economic development and affordable housing.

INVESTIGATION: ALTERNATIVES AND ANALYSIS BUSINESS TAX REBATE PROGRAM (ATTACHMENT 1)

The Chamber initially presented a proposal for a non-residential property tax or business tax deferment program for businesses facing financial hardship due to the current state of the economy. The Chamber proposal identified the need for a targeted relief program based on eligibility metrics that would assess financial hardship and support those businesses facing significant challenges due to the current economic environment. The Chamber also identified administrative simplicity, both for The City and for potential recipients, as a key requirement.

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Representatives from Administration and the Chamber met to discuss the feasibility of the Chamber's proposal. The proposal was discussed at length and all parties came to a mutual understanding that the Chamber's proposal, as currently written, would be a challenge to administer effectively and be potentially burdensome to those whom it was trying to assist.

Administration has developed and analyzed a number of other options that reflect the intent of the Chamber's original proposal which are aimed at providing some financial relief for the local business community through reduced business taxes. Options were thoroughly evaluated to ensure administrative simplicity and a benefit targeted primarily to small businesses.

The option identified by Administration as most likely to satisfy the criteria and outcomes identified by the Chamber is a partial rebate of business tax to small business tax account holders based on the net annual rental value of the space used in connection with the operation of their business. Under this option, maximum assessment value is used as a proxy for the "size" of a business. The City has approximately 27,000 business tax accounts of varying sizes. Data from CED indicates that approximately 95 per cent of businesses in Calgary employ 50 or fewer individuals. Administration has aligned the scenario presented in Attachment 1 with CED's findings to establish a proxy threshold for what could potentially constitute a "small" business, by identifying a maximum assessment (or net annual rental value) of \$400,000 which captures approximately 95 per cent of The City's business tax accounts (highlighted in yellow in Attachment 1).

If Council wishes to pursue a business tax rebate program, Council will need to provide additional direction to Administration on implementing a program including the funding source, the total funding available, criteria for identifying the business tax accounts to receive a rebate, and criteria for distributing the rebate to individual accounts. Administration recommends that Business Tax rebate option be referred to the Mid-Cycle Review Process for further consideration.

ECONOMIC STRATEGY

In 2014, Council approved a refreshed 10-Year Economic Strategy for Calgary that aligns The City's existing strategies and draws on the energy of Calgary's global connections, entrepreneurs, innovators, communities and people to focus on economic development. During 2015, particularly the last six months of the year, the Economic Strategy was adjusted to reflect Calgary's slowing economy. In the current economic context, increased implementation of the Economic Strategy is essential. Investment of the funds in CED and CH's work will help shorten timelines for selected short and mid-term initiatives in the Strategy.

Administration recommends that the \$14.4 million be allocated between CED (\$7 million) and CH (\$7.4 million) to undertake initiatives that further the Economic Strategy including retention of talent and acceleration of economic development including affordable housing to support an increase in supply and improve access to housing. In determining this allocation, Administration took into consideration the risk that CED's private sector partners face declining revenues and may not be able to continue their support for CED's work. One time funding from the Community Economic Resiliency Fund mitigates the impact of these decreasing revenues. CED is The

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City's Civic Partner that promotes the full spectrum of the business, investment and job opportunities in Calgary across Canada and in key markets around the globe which is essential to the success of Calgary's economy. While the majority of the projects identified by CED and CH address short term, immediate needs and the results will be visible in the near term, it will take longer to see the success of some initiatives that take a longer term view and seek to diversify Calgary's economy.

SUMMARY OF AFFORDABLE HOUSING INITIATIVES (ATTACHMENT 2)

Renewal of the Development Fee Grant Program would cover the cost of pre-development activities, development permit fees, re-development levies, demolition permits, building permit fees and other related fees for new affordable housing units or the regeneration of existing units. Eligibility would be limited to development projects for agencies that provide non-market affordable housing or for projects initiated by organizations that have demonstrated contribution towards permanent affordable housing solutions.

As recommended in the *Enough for All* poverty reduction strategy and brought forward by the Calgary Housing Affordability Collective (as reflected in PFC0215-0939 Affordable Housing-Community and Corporate Strategies), CH also proposes to undertake initial research to develop a fully integrated and automated coordinated registry system that would serve all Calgarians seeking non-market housing.

SUMMARY OF ECONOMIC DEVELOPMENT INITIATIVES (ATTACHMENT 3)

A *Be Part of the Energy 2.0* marketing campaign will focus on promoting the counter-cyclical opportunities for business and investment attraction in Calgary and strengthen perceptions of Calgary as an innovative, entrepreneurial and creative city – and more than just an oil and gas town. There will also be a local campaign, similar to the YYC is OPEN post flood campaign that will encourage Calgary businesses and citizens to support local suppliers and businesses. The local campaign would be done in conjunction with Tourism Calgary, the Chamber and CED. Both campaigns would include advertising, media, social media, and where applicable business events.

WORKshift Worldwide- Calgary's Global Talent Hub is an initiative designed to employ Calgarians on remote projects and occupy downtown commercial space. Research conducted would result in identifying skills of Calgarians recently displaced from their jobs and where that labour is in high demand. With the expedited implementation of a WORKshift worldwide and a support system of recruiters, the program will enable foreign project managers to recruit Calgarians and set up remote offices. The program will include lead generation, recruitment missions, marketing collateral and website development.

The Head Office/Real Estate Action Plan is aimed at diversifying the sectors based in Calgary by attracting new or merging/acquired companies to locate in Calgary. In addition, CED will work with the real estate community to explore opportunities for repurposing existing products and revising lease policies to attract smaller businesses, co-working spaces and consider alternative uses of existing building or sites. The action plan will include lead generation,

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business development and marketing. This program does require a dedicated contracted resource as this is currently being served by shared resource.

Accelerating Diversification will advance the implementation of the Economic Strategy's purposeful diversification initiatives in the areas of Transportation and Logistics, Creative Industries, Agribusiness, and Renewable Energy. Resources will be used to update tactical action plans or strategies, create take-to-market action plans, and target high potential investment and business opportunities and markets.

Longer term, CED proposes to work collaboratively with Innovate Calgary and the Chamber to build a culture of innovation in Calgary. CED will benchmark leading innovative cities in the US and internationally and develop recommendations for The City and Government of Alberta on how Calgary can, develop policies, evolve and enhance programs, create places and attract and retain people to showcase Calgary's innovations and innovators to the world.

All activities outlined above will be commenced immediately and support activities and resources that will extend into 2018.

Measuring Success

All proposed projects identify metrics that will be used to report back on their progress and success. Selected core indicators from Calgary's 10-Year Economic Strategy can also be referenced to track progress including:

- non-oil and gas diversification score
- overall gross domestic product
- land Use Diversity Index
- percentage of Calgarians agreeing that Calgary is a great place to make a living
- percentage of Calgary households spending more than they can afford on housing
- percentage of all people in Calgary living at or below Statistics Canada Low Income Cut-off (Before Tax)
- overall increase in Calgary's employment rate

To achieve a strategic and collaborative approach to the allocation of \$14.4 million from the Community Economic Resiliency Fund and to identify the role of proposed projects in supporting economic development, Attachment 4 includes a matrix that identifies how all proposed initiatives detailed in this report align with Calgary's 10-Year Economic Strategy and Action Plan. The recommended allocations to initiatives are as follows:

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AFFORDABLE HOUSING	
Affordable Housing Development Financial Incentive Program	\$6.9 million
Coordinated Housing Application	\$0.5 million
TOTAL	\$7.4 million
ECONOMIC DEVELOPMENT	
Marketing Campaign (local and out-of-market)	\$1.5 million
Global Talent Hub- WORKshift Worldwide	\$0.5 million
Head Office/Real Estate Action Plan	\$0.75 million
Accelerated Diversification - Logistics, Film & Creative Industries, Agribusiness and Renewables	\$3.925 million
Build an Innovation Movement	\$0.325 million
TOTAL	\$7 million

Stakeholder Engagement, Research and Communication

Administration worked with CED, CH and the Chamber to discuss opportunities related to their respective proposed initiatives. Administration engaged with the Chamber to discuss proposals aimed at providing tax relief to the business community. CH engaged with organizations in the affordable housing community. CED through their continuous engagement with the business community and stakeholders, including the Chamber, has brought forward initiatives that address both short-term immediate needs, as well as longer-term broader strategies.

Strategic Alignment

Projects proposed in this report align with both Action Plan and Calgary's 10-Year Economic Strategy 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 (The Calgary Poverty Reduction Initiative).

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.

Risk Assessment

The organizations leading this work (CH and CED) have practices in place to identify and mitigate any risks related to the projects they are proposing.

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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. Analysis of the Chamber of Commerce Property Tax Deferment Proposal
2. 2016 Investment Package for Affordable Housing
3. Accelerating Innovation and Diversification - Calgary Economic Development Priorities
4. Alignment of Proposed Community Economic Resiliency Fund Initiatives