



Memo

2021 November 17

To: Mayor Gondek and Members of Council
From: Carla Male, Chief Financial Officer

Re: **2022 Adjustments to the One Calgary Service Plans and Budgets – Follow-up on Questions - 2**

Your Worship and Members of Council,

The One Calgary team is continuing to actively coordinate responses to your questions related to the 2022 Adjustments to the One Calgary Service Plans and Budgets. This is the second memo to address these in the days leading up to the start of budget deliberations on 2021 November 22. These memos will also be entered into the public record.

This memo addresses a second round of outstanding questions asked during the Special Meeting of Council on 2021 November 8. Please do not hesitate to contact me if you have any questions or concerns.

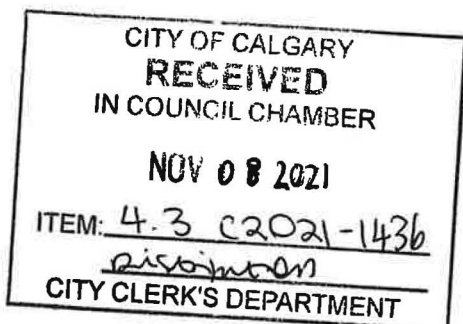
Sincerely,

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cc: Executive Leadership Team; Al Louie; City Clerk

Attachments:

1. Questions and Answers
2. 2020-11-20 COFLEX Program Briefing





Attachment 1: Questions and Answers

1. Can you provide an overview of the COFLEX program?

During the mid-cycle budget adjustments in November 2020, Council approved creation of the COFLEX Program to manage allocation of Municipal Operating Support Transfer (MOST) grant funding from the provincial government as well as operational variances generated by The City's pandemic response. The purpose of the COFLEX Program is to reduce the impact of the pandemic by helping individuals, families, and businesses cope with current situations, along with accelerating Calgary's recovery. Regular updates were provided to Council throughout 2021 along with a comprehensive update in 2021 May. As of 2021 October 21, approximately \$72 million had been allocated to 33 initiatives, including:

- The adaptive roadway program, which closes roads to motor vehicle traffic so they can be used by people who are walking, running, cycling, rollerblading, etc.
- Business Improvement Area Levy Relief, which supports over 6,000 businesses by applying a one-time credit equal to 2021 Business Improvement Area tax bills.
- Improving public safety on Calgary Transit.

The COFLEX Program is still accepting applications for initiatives to reduce the impact of COVID-19 on our city. There is approximately \$4.7 million in remaining COFLEX funding.

A previous briefing to Council on the COFLEX program dated 2020 November 20, which contains a more detailed overview, is provided in Attachment 2.

2. We have seen significant non-residential development growth in the Calgary region outside of the city limits. Are we tracking these development trends?

Over the past 15 years, a significant amount of the Calgary Region's industrial market has shifted from Calgary to surrounding municipalities. A number of third-party forecasters are expecting this trend to accelerate in 2022 and beyond.

Balzac (northeast of Calgary, in Rocky View County) has been the beneficiary of much of this industrial development shift, with a notable tax advantage, significantly lower offsite levies and more cost-effective land. This reflects differences in service levels and location. It is estimated that over 10 million square feet of new industrial development has occurred in Balzac in the past 15 years.

The City has identified future industrial growth planning areas to ensure adequate long-term growth capacity. In early 2021, City Council approved an Industrial Action Plan to investigate and address issues that should improve Calgary's industrial growth attractiveness.

3. Are we tracking the cost implications to The City of non-residential growth outside our boundaries? Are we able to recover these costs?

To date, The City has not tracked the cost implications of non-residential growth outside of our boundaries.



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The City is working to renew our relationship with Rocky View County to explore a more constructive way for The City and Rocky View County to work together and collaborate. The City is about to embark on bi-lateral mediation to have interest-based negotiations.

Through implementation of the Calgary Metropolitan Region Growth and Servicing Plans, The City will continue to explore cost sharing agreements with our neighbouring municipalities.

4. Can you provide an update on the Downtown Strategy?

In 2021 April, City Council approved [Calgary's Greater Downtown Plan](#), a vision and roadmap toward a thriving, future-focused downtown. As an initial investment toward realizing the plan, Council also approved \$200 million in funding made up of development incentives, capital investment, Arts Commons Transformation, programming, and administration resourcing. A summary is provided at the end of this update. In 2021 September, Council approved up to an additional \$7.5 million to support completion of the Barron building. To follow is a summary of progress, investments, and status.

Financial incentives: \$57.5 million

The 2021 April report set out a goal to remove 6 million square feet of downtown office space inventory over a 10-year period. It was estimated ([C2021-0524 Attach 4 – Real Estate Sector Advisory Committee Downtown Vibrancy One Pager](#)) that a \$450 million investment would remove 6 million sq ft of vacant office space and provide an anticipated significant restoration of downtown property values that will reduce the impact of the tax shift over a ten-year period and beyond. This reduces the tax burden on both residential and non-residential properties outside the downtown core. Toward the \$450 million total investment, Council provided for \$45 million in initial funding.

The Downtown Strategy team launched the [Downtown Calgary Development Incentive Program](#) on 2021 August 16 to encourage private developers to undertake downtown office-to-residential conversions. The program's Phase 1 application period closed on 2021 September 15 and interest has been strong, with 13 applications received. Of the 13 applications, five applications are on the short list for funding from the initial \$45 million, six applications are on the wait list and require approval of additional funding to proceed, and two applications did not qualify. Short listed applications are in the final stage of review prior to receiving confirmation of funding from the Approval Committee (the General Manager of Planning and Development and the Chief Financial Officer). It is anticipated that successful applicants will have a funding commitment made later this year. The actual funding amounts will be paid to applicants once projects are complete and occupancy permitted.

Council has directed that a Terms of Reference be developed for Phase 2 of the program which will broaden the program's focus to include office conversions to other adaptive uses and the potential for demolition of existing buildings. The Phase 2 Terms of Reference will be brought back to Council for approval in Q1 of 2022 and would be subject to additional funding becoming available.



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A \$5 million fund has been established to offset developer contributions to the Plus 15 fund that are required as part of development permit conditions for all new downtown residential development projects. The Plus 15 fund is a source to ensure the continual improvement and protection of the Plus 15 network. To date, only one development has expressed formal interest in the incentive.

In 2021 September, Council approved a contribution of \$7.5 million to support the completion of the Barron Building residential conversion project, and to secure the historic building's protection through a requirement for municipal heritage designation. The Barron Building Residential Conversion Grant is for the sole purpose of the completion of the residential conversion project for the Barron Building, located at 610 8 Ave SW. This grant program was launched on 2021 September 20. To be considered eligible to be approved by the Incentives Approval Committee, an applicant must first satisfy the criteria outlined in the [Program Terms of Reference](#).

Impactful capital projects: \$55 million

Implementing the Greater Downtown Plan means allocating funding for impactful projects, big and small. There are many potential capital projects in the downtown and the team is currently prioritizing projects that will make immediate impacts. Under consideration are the following projects that would improve vibrancy in Calgary's downtown:

- Future of Stephen Avenue: Designing and building priority sections of a revitalized hallmark pedestrian main street that supports existing businesses and creates opportunities for private investment and redevelopment (**estimated capital cost of approximately \$50 to \$70 million**)
- Olympic Plaza: Re-imagining Calgary's Olympic legacy by renovating the living room of Arts Commons and City Hall and leveraging the redevelopment of Arts Commons and the Glenbow Museum (**estimated capital cost of approximately \$21 million**)
- Glenbow Museum temporary space: Supporting the Glenbow Museum to find a temporary exhibit space during its renovation closure (**estimated capital cost of approximately \$1.4 million**)
- Downtown West Promenade from the Peace Bridge to 14 Street S.W.: Designing and building a gateway from the Bow River pathway system into the Downtown West community (**estimated capital cost of approximately \$25 to \$40 million**)
- Downtown Public Market – establishing a public market in partnership with downtown community organizations (**estimated capital cost of approximately \$2.9 million, not including land costs**)

These five projects exceed the allocated funding for capital projects. The 2021 April report estimated \$500 million in capital funding would be needed over a 10-year period.

Arts Commons Transformation Project: \$80 million

On 2021 April 26 Council approved and appropriated \$77 million from The City's allocation of the 2021 Canada Community-Building Fund and \$3 million from the Budget Savings Account for a total of \$80 million to achieve the \$240 million total capital investment required for Arts



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Commons Transformation Phase 1. The Arts Commons Transformation project has been identified as a catalytic project for downtown vibrancy. Arts Commons contributes \$53 million to Calgary's economy and supports 683 jobs.

Programming: One-time funding of \$5 million to activate downtown public spaces with festivals, events and community spaces to build vibrancy

Activating downtown spaces through festivals and community spaces is essential to increase downtown vibrancy and make downtown a place where people want to live, visit, and establish a business.

This year, priority was placed on supporting businesses and vibrancy in Chinatown, as the community has been hit hard by the pandemic and there has been a temporary removal of on-street parking due to City construction projects. The Downtown Strategy, Calgary Parking Authority and the Chinatown Business Improvement Area partnered to offer [two-hour free parking to visitors](#) in a central Chinatown lot. This did not simply redirect paid users from other lots but was used for short term parking that would not have been available due to on-street parking closures.

The Downtown Strategy team also partnered with the Calgary Downtown Association and the Beltline Urban Murals Project to liven-up unused blank space in the downtown core. This included the creation of a mural gallery in an alleyway north of Stephen Avenue and the large-scale [Astro mural](#) on the Watermark Tower.

This summer, the Downtown Strategy team coordinated the #ExperienceDowntownYYC communications campaign to encourage Calgarians returning to downtown offices to support local businesses and restaurants.

The Downtown Strategy team is also considering additional opportunities to support programming in 2022 and beyond and are in the process of finalizing the approach. With COVID-19 increasing uncertainty around potential public events, programming funding was reserved for utilization in 2022 with a desire of being able to produce events with more certainty and with the ability to reach a wider audience, including tourists.

Dedicated City of Calgary Downtown team: \$10 million

An enduring focus on downtown requires a focused downtown team. This one-time funding provides for a downtown team to be resourced for a four-year period. Thom Mahler is the director of this new business unit and will carry forward the work that the Downtown Strategy group has been undertaking over the past several years. The Downtown business unit formalizes the Downtown Strategy in the organizational structure of The City, is focused on stewarding implementation of the Greater Downtown Plan, and reaffirms the importance of the future of downtown as a priority for The City.

Partnerships

Building partnerships to drive positive change has been the Downtown Strategy's priority since its launch in 2019. This has meant building a network of partners in the private and public



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sectors that are all committed to a thriving, vibrant downtown. There have been many successful initiatives driven by these partnerships that occurred without additional funding from The City, including:

- [The Stephen Avenue Safety Hub](#): A partnership between the Downtown Strategy, Calgary Police Service, the Calgary Downtown Association and Slate Asset Management to establish a larger uniformed presence in the heart of downtown
- [Downtown Ambassadors](#): A partnership between The Downtown Strategy and the Calgary Downtown Association that connects Calgarians and visitors to information, resources and supports, while providing a welcoming presence in the downtown
- [Level up, Calgary!](#): An initiative developed with the Calgary Board of Education, Microsoft Canada and the Calgary Public Library to engage students in creating the future of Calgary's downtown

With a dedicated downtown team being formed, partnerships will be better leveraged and supported. Further, advocacy efforts with the federal and provincial governments to partner with The City on funding of The Downtown Strategy are ongoing, though progress has been slow.

Further information

The Downtown Strategy team is putting together a session on 2021 December 15 to go through the Greater Downtown Plan and the implementation strategy with all Council members in further detail. In the meantime, please find the following links to the Downtown Strategy web page, as well as the original Council reports from 2021 April 26 that approved the Greater Downtown Plan and the Downtown Strategy.

<https://www.calgary.ca/pda/pd/downtown-strategy/downtown-strategy.html>

[Strategic Meeting of Council - April 26, 2021 \(escribemeetings.com\)](#)

2021 April (C2021-0524) Council approved initial investments

Greater Downtown Plan Investment Categories	\$ Allocation
Incentives for office to residential conversion, other adaptive uses or demolition	45 M
Incentives to offset +15 Fund contribution for residential development	5 M
Downtown vibrancy capital program	55 M
Programming (2021-2024)	5 M
Dedicated downtown team (2021-2024)	10 M
Arts Commons Transformation Phase 1 (Program 639-010)	80 M
Total	200 M



20 November 2020

To: Office of the Mayor, Members of Council

From: Doug Morgan, Chair of the Relaunch Working Group

RE: COFLEX Program

This memo summarizes the recommendations of the Relaunch Working Group to ensure The City continues to maintain a flexible response for the remainder of the pandemic. The updated approach is referred to as the COFLEX Program and will enable Administration to optimize both the Municipal Operating Support Transfer (MOST) funding and ongoing corporate COVID19 expenditure management to address the ongoing uncertainty around the pandemic. Continuing advocacy efforts to secure additional Federal or Provincial resources beyond the 31 March 2021 timeframe of the MOST grant will be necessary to continue the COFLEX Program as the pandemic evolves.

Overview

Since Calgary began to be impacted by the COVID pandemic in March, Council has enabled Administration to maintain a flexible and nimble approach to scale services in response to changing demands and public health orders, as well as to implement innovative ideas such as adaptive roadways and public realm patios. Administration has also worked quickly and effectively to support over 5,000 employees to work from home while continuing to deliver services to Calgarians.

On 16 March 2020, City Council endorsed the City’s COVID-19 governance structure to support four objectives:

1. Be responsible partners to help “flatten the curve” and protect human safety.
2. Support our employees.
3. Maintain appropriate City of Calgary services to our community.
4. Prepare for the resilience of our organization and our community.

To support ongoing municipal operations through the pandemic, a total of \$202 million in Provincial MOST funding has been allocated to The City of Calgary. Of this, \$72 million has been allocated to Calgary Transit to help address existing and projected operating gaps due to reduced ridership and initial social distancing restrictions. The revenue table shows a significant revenue variance for 2020 and 2021.

The eligibility period for COVID impacts to qualify for MOST funds is between 1 April 2020 and 31 March 2021, which appears to align well with the significant second wave of the pandemic currently underway in Calgary. Administration will use all the funding by 31 March 2021, with priority on meeting operational deficit needs.

Ongoing uncertainty around the duration and severity of the pandemic means that more Federal or Provincial support will likely be required beyond MOST’s March 2021 funding timeframe.

Administration has been responsible to mitigate this revenue shortfall through temporary expenditure reductions. Regular updates have been provided to Council on those reductions.

	2020 Revenue Gap (forecast)	2021 Revenue Gap (forecast)
Calgary Transit	\$101.9 M	54.5 M
Other Variances	\$141.7 M	\$98.0M
Total Revenue Variance	\$243.6 M	\$152.5M
Total COVID19 Revenue Variance	\$396.1 M	
MOST	\$202.0 M	

Administration seeks Council direction to continue to manage the variances including the offset of the MOST funding. In addition to offsetting expenditures in existing service there are needs in the community for additional response. To respond to those needs Administration proposes the COFLEX Program, which represents a desire to be nimble and flexible during the continued pandemic.

COFLEX Program Structure

Efforts will be required in all four COFLEX focus areas simultaneously due to the uncertain and rapidly changing conditions of the pandemic. Blending flexibility with The City’s prudent expenditure management approach, the criteria in each focus area will be used to ensure that any funding, whether from MOST or other future sources, is optimized to achieve maximum benefit.

COPING with COVID
The City is a nimble, constructive facilitator to help our people, community, and businesses safely cope during the pandemic.

Criteria to allocate funding:

- 1) Improves resilience for local businesses through Q1 2021 and beyond
- 2) Enables responsible social interactions
- 3) Generates optimism and a sense of community

SUPPORTING our PARTNERS during COVID
The City lends a hand to our civic & community partners, enabling them to continue serving Calgarians during and after the pandemic.

Criteria to allocate funding:

- 1) Directly supports operations of partners experiencing significant financial challenges
- 2) Provides support to partners ineligible for Federal or Provincial relief programs
- 3) Enables continuation of existing & successful support programs (e.g. the Emergency Resilience Fund)

PREPARING for UNCERTAINTY around COVID
The City is proactive and flexible in its response if the length or severity of the pandemic are worse than expected.

Criteria to allocate funding:

- 1) Improves data collection and analytics to guide real-time decisions
- 2) Implements actions that increase the resilience of City services for multiple possible pandemic outcomes
- 3) Enables socially and financially sustainable changes in daily behavior by citizens and businesses

PLANNING for LIFE with / after COVID
The City is ready to move quickly to reactivate the city, its citizens and economy after the height of the pandemic.

Criteria to allocate funding:

- 1) Enables permanent implementation of COVID pilot programs, or new City services, that will generate value
- 2) Builds short-term certainty for businesses to begin investing in Calgary’s future
- 3) Rebuilds public confidence in City services

When allocating MOST funding within the COFLEX Program, Administration will also take into consideration the Province’s recommended use areas: revenue declines, increased staffing and labour costs, COVID-related capital expenditures, unpaid property taxes, including distribution to other parties for these purposes.



With a strong and established network of internal and external stakeholders, the Relaunch Working Group will steward the COFLEX Program on behalf of The City of Calgary. CEMA will continue to provide a sustained response and enhanced monitoring in close collaboration with the Relaunch Working Group.

The COFLEX Program is aligned with The City's Infectious Disease Management Plan (IDMP), which outlines the roles and responsibilities of different orders of government in a pandemic event. For The City of Calgary, this includes "a responsibility to continue to provide services that promote and maintain the health and safety of Calgarians." COFLEX initiatives are designed to support the physical and mental wellbeing of Calgarians throughout the pandemic. The COFLEX Program also supports The City's Business Continuity Plan and Resilience Strategy.

The combination of the proposed COFLEX Program, available MOST funding, and any future COVID funding sources will provide Administration with the flexibility needed to respond quickly to changing pandemic conditions. Without this approach, The City would be more constrained in its ability to adapt to the ongoing uncertainty around COVID, and would be less able to support our citizens, businesses, and our civic and community partners in a timely fashion.

Next Steps

Following approval of the COFLEX Program approach by Council during the 2020 mid-cycle budget adjustments, Administration will begin supporting initiatives meeting the criteria in the COFLEX focus areas. Careful consideration will be given on when funds should be released to ensure that MOST funding is distributed effectively between now and 31 March 2021. Any additional funding sources secured for the COFLEX Program will enable initiatives to be implemented beyond this timeframe.

RECOMMENDATIONS

Administration recommends that Council:

1. Approve the COFLEX Program including focus area criteria.
2. Authorize Administration to allocate the MOST funding in areas of greatest need, based upon the Provincial and Federal criteria.
3. Direct Administration to brief Council monthly on the overall financial management strategy, including use of MOST funds, until April 2021.

Regards,
Doug Morgan, P.Eng, MBA
A/General Manager, Transportation
The City of Calgary
T 403-268-5637

cc: Executive Leadership Team, Relaunch Working Group