

Citywide Growth Strategy: Industrial Action Plan Update

RECOMMENDATION(S):

That the Infrastructure and Planning Committee recommends that Council direct Administration to:

1. Undertake the revised Industrial Action Plan as identified in Attachment 4, and report back to Council through the Infrastructure and Planning Committee no later than Q2 2023; and
2. Bring back capital investment recommendations, for Council's consideration, that benefit industrial growth as part of the integrated Citywide Growth Strategy, in coordination with the 2023-2026 business plan and budget cycle.

HIGHLIGHTS

- As part of the Citywide Growth Strategy, this report provides Council and stakeholders with an update on the 2021 Industrial Action Plan which was directed by Council on 2021 March 22 to help enable strategic, sustainable industrial growth in Calgary.
- What does this mean to Calgarians? Increasing Calgary's strategic growth and industrial competitiveness regionally and nationally by enabling industrial development is crucial to the economic prosperity of Calgary. The initiatives identified in the Industrial Action Plan are meant to enable industrial growth, increase the non-residential tax base, and support job creation and economic diversification.
- Why does this matter? If The City can streamline land use policies and regulations, realize infrastructure investments in industrial areas, reduce development costs, position public land to realize industrial development, and promote industrial opportunities in Calgary, it should lead to an increasing share of the industrial market.
- Over the past year, Administration and stakeholders have collectively made progress on the 2021 Industrial Action Plan (Attachment 3). Some actions are carrying over into 2022 as expected, and some revisions are needed to keep it up to date (Attachment 4).
- Administration is proposing that the next update to Council on this work be brought in Q2 2023. In advance of that update, as part of the 2023-2026 service plan and budget cycle, strategic capital investments benefitting industrial growth will be brought forward.
- Strategic Alignment to Council's Citizen Priorities: A prosperous city
- Background and Previous Council Direction is included as Attachment 1.

DISCUSSION

Introduction to the Citywide Growth Strategy: Industrial

On 2021 March 22, Council approved the Citywide Growth Strategy: Industrial report and Industrial Action Plan (PUD2021-0150) which articulated specific actions that could help enable industrial growth and focus organizational efforts to implement them. This was a culmination of several years of work with stakeholders that helped identify actions that would have the greatest impact (Attachment 1). Improving the context for industrial growth in Calgary was formally initiated through the Industry/City Work Plan in 2016.

This work is one component of the Citywide Growth Strategy – the other two components being new communities and established areas. This work is also part of a group of interconnected planning initiatives which support Next Generation Planning (Attachment 2). The geographic scope of this work is the existing industrial areas and the vacant and undeveloped industrial

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areas, which total approximately 7,000 hectares of land, or 9 per cent of total land area of the city.

Purpose

The purpose of this work is to enable strategic and sustainable industrial development in the city. Through the Council approved Industrial Action Plan, this work advances goals of the Municipal Development Plan and Calgary Transportation Plan to ensure the availability and accessibility of lands for a wide range of industrial activities, and to protect existing industrial areas from undue encroachment of non-industrial uses that may threaten future viability.

As with the other components of the Citywide Growth Strategy, this work relies upon considering three growth factors in decision-making: Municipal Development Plan/Calgary Transportation Plan Alignment, Market Demand, and Financial Impacts.

Importance of a Vibrant Industrial Sector

Industrial areas play a crucial role in Calgary's economic prosperity as 9 per cent of the city's land contributes approximately 14.6 per cent of Calgary's total municipal tax revenue, or around \$300 million annually. The total taxable assessed value of all industrial properties in Calgary was approximately \$16.6 billion in 2020 and \$17.5 billion in 2021. This represents 30 per cent of taxable non-residential property value, and 7 per cent of the taxable property value in the city.

Overall industrial activity in Calgary has remained resilient through the current economic downturn. Calgary's industrial vacancy rate decreased from 7.6 per cent in Q3 2020 to 4.5 per cent in Q3 2021. During the same period, the rental rate increased from \$8.75 per square foot to \$8.93 per square foot (source: Colliers International). Supporting this sector is important as industrial areas supply many employment opportunities for the citizens of Calgary and the region. In 2021, industrial areas were responsible for approximately 96,000 high-quality jobs, accounting for over 11 per cent of total jobs in the Calgary Economic Region (source: Corporate Economics). Industrial development is an issue of regional importance, with significant economic, financial, and servicing implications. A cooperative region can be a strong attractor for new business.

Industrial sub-sectors such as manufacturing, wholesale trade, transportation, and warehousing are projected to generate approximately 85,000 total jobs by 2041 (source: Cushman & Wakefield). As these sectors drive industrial land demand, there is an anticipated need for roughly 600-900 net new hectares of lands to accommodate industrial growth by 2041. The City should be ready to facilitate this growth.

Progress on the 2021 Industrial Action Plan

There are five areas where The City has influence to support the industrial sector. Attachment 3 outlines progress on the 2021 Industrial Action Plan in more detail.

- A. Development-enabling regulatory improvements:** Five actions for improving the flexibility of The City's land use policies and regulations.
- B. Identifying infrastructure and servicing investments in industrial areas:** Helping to realize impactful infrastructure investments in industrial areas.
- C. Reducing cost for the industrial sector:** Actions seeking to reduce development costs for industrial developers.

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- D. Positioning public lands in support of the industrial sector:** Looking for opportunities to enable industrial development on City owned lands.
- E. Creating and enabling business environment to retain business and attract new industrial investors:** Actions and strategies that promote industrial opportunity in Calgary.

Administration continues to work together with external stakeholders to deliver on the Industrial Action Plan. As noted below, to date four actions are complete, seven actions are on schedule, and three actions have adjusted timelines.

Completed:

1. Created a pilot Industrial Direct Control land use district that provides increased flexibility and removes redundant application processes. This Direct Control land use is now available to applicants.
2. Implemented strategies to improve the approval process for industrial applications.
3. Reduced the base fee for industrial land use amendment applications from \$6,483 to \$0 as part of the overall 5 per cent Planning & Development fee reduction.
4. Responded to stakeholder concerns through the Business Advisory Committee (BAC).

On schedule:

1. Refine industrial specific uses and regulations in the Land Use Bylaw.
2. Develop an approach to update the industrial policies of the Municipal Development Plan.
3. Refine strategic considerations that support consistent decision making on industrial land use redesignations applications.
4. Continue monitoring industrial activities at the regional and city level.
5. Identifying and prioritizing investment opportunities in industrial areas.
6. Facilitate the development of 3.6 million new square feet of industrial development using available serviced city lands.
7. Create a marketing strategy and updates to Calgary.ca to increase awareness of Calgary's competitive advantages for attracting new industrial investment.

Adjusted Timelines: Some of the most impactful actions are also the most complex, and while progress was made in 2021, more time is needed to determine where there may be additional opportunity for change. These actions are proposed with adjusted timelines and include:

1. Identify solutions to improve the competitiveness of Calgary's non-residential tax rate for industrial sector.
2. Explore changes to Off-Site Levy rates for industrial land development.
3. Update the Development Standards for industrial land development.

Revised Industrial Action Plan for 2022

An updated Industrial Action Plan is proposed for 2022 (Attachment 4) that shows revised scope and timelines where needed, and a new item related to climate action. Actions that were completed in 2021 have been removed. This work therefore remains a priority for Administration.

Climate Action Related to the Industrial Sector

Industrial buildings in Calgary represent approximately 8 per cent of total citywide greenhouse gas emissions.

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In 2021, Administration and industrial stakeholders discussed opportunities for how industrial operators/developers can support The City in achieving goals of the Climate Resilience Strategy. Many actions to reduce emissions generated by industrial processes are beyond the scope of municipal jurisdiction; however, The City can enable emissions reductions, particularly in improving the energy performance of buildings. A new action has been added to the 2022 Industrial Action Plan in this regard.

As identified in the Climate Resilience Strategy Action Plan, The City has identified the need to develop programs to support large industrial operators. This work is currently in the exploratory phases. Additionally, Administration is updating the [Climate Strategy and Action Plan](#) for Council for Q2 2022. As part of this update, Administration will further explore climate integration into Industrial Action Plan.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

- Public Engagement was undertaken
- Public Communication or Engagement was not required
- Public/Stakeholders were informed
- Stakeholder dialogue/relations were undertaken

Administration engages with internal and external stakeholders through the Industrial Strategy Working Group (ISWG). This is a diverse group, comprised of members from land development associations (BILD Calgary Region and NAIOP), industrial landowners and developers, Calgary Economic Development, professional consultants, industrial brokers, and the Calgary Airport Authority. This group supported the creation of the 2021 Industrial Action Plan and contributed to the progress of each action. This group will continue to collaborate on strategic actions within the revised 2022 Industrial Action Plan.

IMPLICATIONS

Social

This work supports [Council's Social Wellbeing Policy](#) by promoting equitable and inclusive growth in the city, through identifying potential capital City investments in industrial areas, and by supporting the development and intensification of non-residential properties. The social benefit for industrial is related to good, well paying jobs. The City should do its part to increase equitable access to these opportunities.

Environmental

This work helps advance the goals of the [Climate Resilience Strategy](#) by advocating for the intensification of vacant industrial properties in built up industrial areas. Utilizing well connected, and centrally located industrial areas may help mitigate greenhouse gas emissions by supporting more efficient movement of goods and allowing for access to lower-carbon transportation modes. As industrial developers are increasingly seeking to incorporate more sustainable building design such as solar panel installation, rainwater harvesting, HVAC, and LED lighting, as part of their overall corporate commitment to sustainability, this work is also intended to recognize and enable those efforts.

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Economic

Growth is expected in several industrial sub-sectors and they are anticipated to account for the largest gains in employment over the next 25 years, and therefore can continue to play a critical role in Calgary's economic diversity and resilience. This work is fully aligned with the Municipal Development Plan, where it says in Part 3.7, "Industrial areas contribute to a strong and prosperous economy for Calgary and should be maintained as a major economic driver for the city". As the economy of Calgary, and the Calgary Region, seeks greater diversification, the industrial sector is uniquely positioned to support this.

Service and Financial Implications

Other:

There is no financial implication arising directly from this report. However, the second recommendation in this report to bring investment recommendations to Council in coordination with 2023-2026 service plan and budget cycle is likely to have financial implications. The work may include identification and prioritization of capital investments in industrial areas.

Actions within the 2021 and 2022 Industrial Action Plan that may have financial implications include:

1. Identify solutions to improve the competitiveness of Calgary's non-residential tax rate for industrial sector;
2. Explore changes to Off-site Levy rates; and
3. Consider other potential non-tax incentives to support the industrial sector (including an Industrial Grant Program or exploring the use of Bill 7 in support of property tax incentives).

RISK

Risks related to this Strategy are summarized in Attachment 5.

ATTACHMENT(S)

1. Background and Previous Council Direction
2. Planning Calgary Now and for the Next Generation
3. 2021 Industrial Action Plan: Progress Update
4. 2022 Industrial Action Plan: Updated and Revised
5. Risk Summary
6. Letter of Support

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Stuart Dalglish	Planning & Development Services	Approve
Chris Arthurs	People, Innovation & Collaboration Services	Consult
Carla Male	Corporate Planning & Financial Services	Consult