

Planning & Development Report to
Combined Meeting of Council
2020 May 25

ISC: UNRESTRICTED
C2020-0600

**Supplemental Report - Responding to Council Questions on the Council
Innovation Fund Application for Downtown Accelerator Program - 1 Million
Square Feet**

EXECUTIVE SUMMARY

2020 April 27 Council heard report C2020-0463 and referred the item back to Administration to address the questions that arose and return to the next Regular Combined Meeting of Council, 2020 May 25. This report summarizes the answers to Council's questions.

ADMINISTRATION RECOMMENDATION:

That Council approve the recommendations outlined in Attachment 1 – Council Innovation Fund Application for Downtown Accelerator Program – 1 Million Square feet (C2020-0463) to:

1. Approve this application to the Council Innovation Fund for the Downtown Accelerator Program - 1 Million Square Feet (1M), in the amount of \$250,000;
2. Approve amendments to the Calgary Downtown Association's 2020 budget to reflect expenses and associated grant revenue for the proposed project (Attachment 3);
3. Direct Administration to execute an agreement with the Calgary Downtown Association that, among other items, identifies that the Calgary Downtown Association is to only use approved grant funds to cover the proposed project expenses; and,
4. Direct Administration to report back to the Priorities and Finance Committee on the outcomes of this project by Q2 2022.

PREVIOUS COUNCIL DIRECTION / POLICY

2020 April 27 Combined Council Meeting, Report C2020-0463, Council referred the item back to Administration to address the questions that arose at that meeting and return to the next Regular Combined Meeting of Council, 2020 May 25.

2020 February 3 Combined Council Meeting, Report PFC2020-0012 2020 Business Improvement Area Budgets and Enabling Bylaws, Council approved the following recommendation:

- Approve the proposed 2020 BIA budgets (Attachment 1) and authorize each BIA board to amend its respective budget by: (a) transferring amounts to or from a BIA board's reserves, and (b) transferring amounts between expenditures so long as the amount of the total expenditures is not increased.

2019 October 07 Strategic Meeting of Council, Report C2019-1302, a presentation entitled "Calgary's Comeback", was distributed along with a Verbal Report. The following was adopted; that Council:

- Receive the verbal report and presentation for the Corporate Record;
- Direct the Mayor and Councillors Farkas, Gondek and Sutherland to work with the City Manager on establishing performance management measures; and
- Direct that the Closed Meeting discussions remain confidential pursuant to Section 24 (Advice from officials) of the Freedom of Information and Protection of Privacy Act.

Approval(s): **Dalgleish, Stuart** concurs with this report. Author: **Kevin Barton**

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2019 July 22 Combined Council Meeting, Report PFC2019-0664, Council approved the following recommendation:

- Direct Administration to continue implementing the Downtown Strategy, as identified through this report.

2019 April 01 Strategic Meeting of Council, Report C2019-0415, a presentation entitled "Downtown Strategy and Focus" was given. Council approved the following recommendations:

- Endorse the direction as presented (C2019-0415 - Downtown Strategy and Focus);
- Direct Administration to provide an update on the further development of a Downtown Strategy to the Priorities and Finance Committee in 2019 July and October; and,
- For the July Priorities and Finance Committee, Administration further refine the Downtown Strategy to include: heritage, safety, and competitive research.

BACKGROUND

On 2020 April 27, Administration presented Council with an application for the Council Innovation Fund (CIF). The application is to support an economic revitalization program in downtown Calgary that would see the uptake of long-term leases in vacant or underutilized commercial and office spaces. It responds to both the economic hardships experienced uniquely in downtown Calgary and the high office vacancy rates. The program has three main objectives:

- 1) accelerate and cultivate tenants into long term leases;
- 2) change the image of downtown to a place of active and vibrant amenities; and,
- 3) stimulate private investment into buildings and leasehold space by facilitating collaborative lease agreements.

This initiative is even more pertinent with the current global COVID-19 pandemic. The sweeping closures required to reduce the spread of the pandemic will cause the permanent closures of some business. These more recent closures will only amplify the previous critical situation of vacant retail spaces and diminished office space opportunities. Post pandemic, the 1M program would support the comeback of commercial services and public activity back to the downtown. The program would support new businesses by providing easier access to vacant spaces with temporary and flexible lease agreements, coordination of commercial offerings across the pilot area to test concepts that are integrated and complementary, with program assistance to facilitate terms with landlords to create long term leases and space improvements.

The associated funding request for this application is \$250,000 which, if successful, would be matched by private sector contributions, thus doubling The City's investment in rebuilding the health of Calgary's downtown lease market. This application is sponsored by Councillors Farrell and Woolley and is also in partnership with the Calgary Downtown Association (CDA). The CDA, as a project partner, will manage the program and Administration, specifically Calgary Growth Strategies would oversee it.

See Attachment 1 – Council Innovation Fund Application for Downtown Accelerator Program - 1 Million Square Feet (C2020-0463) for additional background and specifics of the application.

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INVESTIGATION: ALTERNATIVES AND ANALYSIS

At the 2020 April 27 Combined Meeting of Council, questions were raised about the process and alignment of the requested CIF application. Below is a list of the questions that were raised as well as responses from Administration and project partners.

How many jobs would be created by the proposed program?

The full impact of the COVID-19 emergency is not yet understood. The number of jobs will be monitored during the program, but the following provides a best case scenario based on pre-COVID considerations. For retail and restaurants, the standard analysis ratio outlined in the Guide to the Municipal Development Plan (MDP) and Calgary Transportation Plan (CTP) is 1 job per 50 square metre of floor area. The overall goal of the Downtown Accelerator Program - 1 Million Square Feet ("1M program") is to fill 1,000,000 square feet of retail floor space with active businesses, and secure long-term leases with those businesses. Phase 1 of the program targets 350,000 square feet (32,516 sq.m), this could result in approximately 650 jobs, plus some temporary construction jobs that would be needed for building improvements. If the program was successful in securing 1 million square feet of lease space over the 18 months, this would provide about 1,850 jobs, including roughly 8 temporary construction jobs (92,900 sq.m/50=1858). It is acknowledged that this projection may include jobs moved by business relocation from another area within the city. However, there are important economic, social, safety and public realm benefits and efficiencies associated with a strong downtown economy that support the entire city.

How is the requested \$250,000 being spent?

Funds supporting the program will accelerate and cultivate tenants into long term leases, change the image of downtown and stimulate private investment into buildings and leasehold space by facilitating collaborative lease agreements. Through the 1M program, the Calgary Downtown Association and its consultants will work to achieve these goals. This work will include research and inventory of existing businesses in the first pilot area, analysis of market demands for services, preparation of potential tenants that could serve potential customers, connecting with building owners and potential tenants, developing marketing plans and arranging for delivery of communication and marketing with third party companies. The program would be charged staff time for assistance to the potential tenants, for concept development, support for temporary and long-term lease agreements and documentation. The 1M program would also be charged for tracking and monitoring the success of the program including sale, client and tenant performance. Tracking of the program would occur throughout the 18 month duration of the program. Third party groups would also bill and invoice the 1M program. City of Calgary staff would not charge any staff time to the program. There are only minor start up and reporting time required by City staff for the proposed program.

What are the procurement requirements for this program?

Should this application get approved, this funding will be a grant by The City of Calgary to the Calgary Downtown Association (CDA) (a Business Improvement Area), funded through the Council Innovation Fund. The City of Calgary is not directing the work, nor is the work being singled sourced by The City. If the grant is approved, the CDA and The City will enter into a

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grant agreement. The agreement will outline the terms and conditions including all applicable Council policy and trade agreements. The program and any required procurement will be directly managed by the Calgary Downtown Association, in accordance with the agreement.

Is the proposed program aligned with all City of Calgary civic partners? Does the program meet the goals and objectives of *Calgary in the New Economy: An economic strategy for Calgary* and the work of Calgary Economic Development?

Yes, the proposed 1M program is very much aligned with civic partners and does meet the objectives of the *Calgary in the New Economy: An economic strategy for Calgary*. Calgary Economic Development has been involved in the development of the program and have provided a letter of support for the program (Attachment 4). Providing easier access to lease space for potential tenants will enable business growth.

The 1M program is implementing strategic goals in the *Calgary in the New Economy: An economic strategy for Calgary*. While the program supports all four strategic focus areas within this strategy, the 1M program most directly actions the Place and Business Environment areas. Goals of the Place focus are being delivered within the pilot area of the 1M program as the area will be enhanced by commercial activity. The experience of users will be improved with more commercial offerings and more interesting options, the image of the area will improve with people activity, building enhancements and downtown employees and visitors will have access to more services and amenities.

Supporting the 1M program is not only good for the downtown, but it is good for the whole city. The Calgary Downtown Association and Makespace Group Inc. are committed to this proposed program and the program will be even more important post pandemic as businesses and public partners will focus heavily on economic health, recovery and revitalization efforts. Based on the current economic climate, businesses may struggle to regain a place in the market, especially in downtown Calgary where office and business vacancy rates were high prior to the covid-19 pandemic. Supporting this program now is essential as the retail, hospitality and restaurant sector will need support to help reposition its businesses in the market.

Is the proposed program aligned with all project work included in the Downtown Strategy?

The Downtown Strategy and its external partner committee are working towards the comeback of the downtown. They are committed to making life better every day for citizens, customers, residents and businesses by focusing on the four pillars of Calgary's Downtown Strategy:

1. Place - Building and supporting programming in the downtown that creates a destination and experience for all Calgarians and visitors to enjoy.
2. Work - Supporting the development of new and existing business in downtown Calgary by ensuring our policies and services support business success in Calgary.
3. Live - Ensuring that downtown is a neighbourhood of choice to reside by providing the amenities to enhance the quality of life for people living downtown.
4. Connect - Creating and managing the frameworks and networks that connect people, goods, information and ideas.

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The proposed Downtown Accelerator Program - 1 Million Square Feet (1M), aims to achieve the same goals, with specific and thoughtful implementation actions for the Place, Work, Live and Connect pillars. The 1M program is aligned with and delivers on the goals of the Downtown Strategy, as well as Calgary's Comeback. The 1M program supports the recovery of Calgary's downtown while leveraging private sector investment and the capacity of the local Business Improvement Area (Calgary Downtown Association) to revitalize commercial areas.

The 1M program was presented to the Downtown Strategy Leadership Team on 2020 January 16 where it was supported as a worthwhile initiative to promote business development and improve downtown private and public spaces. This economic support not only helps Calgary's downtown, but it is beneficial for the whole city in attracting investment, tenants and innovators to take up leases in Calgary.

How is accountability and progress being reported?

The Council Innovation Fund Grant Agreement is under development, this agreement will include use of funds and reporting on project financials. The CIF request is funding start up costs for the program, this start up cost is matched by private contributions. The first phase of the proposal would be for \$100,0000, as this amount is currently secured to be matched by CDA for this project. No further funds will be released until CDA reports on the expenses charged to the 1M program and status of the program. Additionally, the release of the additional funds from the CIF grant would be dependent on matching private funds. Status of the program would be a review of events for the start of the program, concepts tested, amount of tenant space in temporary and long-term leases and data on sales performance of the new commercial services. Reporting would occur at the end of phase 1, approximately March 2021, and then at the end of the program, in the spring of 2022.

Stakeholder Engagement, Research and Communication

See Attachment 1 - Council Innovation Fund Application for Downtown Accelerator Program – 1 Million Square Feet (C2020-0463).

Strategic Alignment

See Attachment 1 - Council Innovation Fund Application for Downtown Accelerator Program – 1 Million Square Feet (C2020-0463).

Social, Environmental, Economic (External)

See Attachment 1 - Council Innovation Fund Application for Downtown Accelerator Program – 1 Million Square Feet (C2020-0463).

Financial Capacity

See Attachment 1 - Council Innovation Fund Application for Downtown Accelerator Program – 1 Million Square Feet (C2020-0463).

Risk Assessment

See Attachment 1 - Council Innovation Fund Application for Downtown Accelerator Program – 1 Million Square Feet (C2020-0463).

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REASON(S) FOR RECOMMENDATION(S):

The Downtown Strategy aims to support the recovery of Calgary's downtown and the 1M program uses private sector investment and leverages capacity of the local Business Improvement Area (Calgary Downtown Association) to revitalize commercial areas in a phased approach with limited City investment that achieves many objectives of Council policy priorities.

ATTACHMENT(S)

1. Attachment 1 - Council Innovation Fund Application for Downtown Accelerator Program - 1 Million Square Feet (C2020-0463)
2. Attachment 2 – Application for Council Innovation Fund: Downtown Accelerator Program – 1 Million Square Feet
3. Attachment 3 – Downtown Accelerator Program - 1 Million Square Feet | Year One Budget
4. Attachment 4 – Letters of support

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