

Revised Downtown Calgary Development Incentive Program Terms of Reference

1. Purpose

The Downtown Calgary Development Incentive Program (“Incentive Program”) was established in 2021 April by Council in report *C2021-0524 Realizing Calgary’s Greater Downtown Plan: Initial Investments and Incentives*. The approved report was presented in conjunction with report *PUD2021-0220 Calgary’s Greater Downtown Plan: Roadmap to Reinvention* that detailed the 10-year implementation plan.

The Incentive Program's purpose is to provide financial incentives to encourage the removal of approximately six million square feet of office space in the Greater Downtown Plan Area over a 10-year period (2021 to 2031). The removal of excess office space can be achieved through conversion to residential or other adaptive uses. Without the Incentive Program, office conversions or redevelopment projects will likely not occur on an expedited basis.

The overall goals of the Incentive Program are to increase overall economic activity, vibrancy and safety in the Greater Downtown Plan Area by:

- Removing office space from the Greater Downtown Plan Area – with a priority area within the Downtown Core;
- Reducing the downtown office vacancy rate and supporting property values and the non-residential property tax assessment base;
- Creating new residential dwelling units to increase the downtown resident population to improve vibrancy and safety;
- Encouraging adaptive reuse of existing buildings for complementary and diverse uses to increase resiliency;
- Improving the public realm through active uses at the ground and Plus 15 levels;
- Establishing schools and cultural amenities in the downtown to enhance diversity, innovation and vibrancy; and
- Supporting climate strategies through reuse of underutilized properties and building upgrades.

On July 26, 2021, Council approved the Downtown Calgary Development Incentive Program Terms of Reference (the “Initial Terms of Reference”) contained in report PFC2021-0779.

These Revised Downtown Calgary Development Incentive Program Terms of Reference (the “Terms of Reference”) expand the scope of eligible conversion projects to include residential, hotels, schools and performing arts centres. In addition, they update, among other terms, the approvals process for new applications.

These Terms of Reference will apply only to applications which are submitted on or after the Effective Date as defined in 7.2. The Initial Terms of Reference will continue to apply to applications submitted before the Effective Date as defined in 7.2, including applications which have been approved or refused and those which remain under evaluation as at the Effective Date.

2. Area of Applicability

2.1 Incentive Program Area

The priority for investment will be in the Downtown Core as highlighted on the map in Appendix A, as this is the area with the highest office vacancy. However, potential projects within the Greater Downtown Plan Area (as established in the 2007 Centre City Plan and confirmed in *PUD2021-0220 Calgary's Greater Downtown Plan: Roadmap to Reinvention*) will be considered as applications are received.

2.2 Out of Scope

- Projects located outside of the Greater Downtown Plan Area.
- Conversions of buildings that are not currently classified by The City of Calgary ("The City") as commercial office.
- Construction of new buildings, including potential additions.
- Property owned by any municipal, provincial or federal government, or any subsidiary or affiliate thereto.

3. Grant

3.1 Office Conversions

- The Incentive Program is offering a grant for office conversion projects at a specified rate per square foot based on the original gross floor area of existing office space that will be converted to one or more of the approved listed uses below (table 3.2).
- The grant will be up to a maximum of \$15 million per property unless Council approves a greater amount for a particular application.

3.2 Eligible Conversion Uses and Incentive Rates

Use	Incentive Rate	Exclusions and Restrictions
Multi-Residential Development / Dwelling units	\$75 per square foot	Ground floor lobby and residential amenity space will be compensated at 50% of the associated incentive rate.
Hotel	\$60 per square foot	Ground floor lobby space and ancillary use space will be compensated at 50% of the associated incentive rate.
School	\$50 per square foot	n/a
Performing Arts Centre	\$50 per square foot	n/a

3.3 Active Uses at Ground and Plus 15 Level

Where an application proposes an office conversion project for one or more of the eligible uses listed above, the Incentive Program is offering a grant for the provisioning of active uses at ground and Plus 15 levels of \$50 per square foot based on the original gross floor area of existing office space that will be converted. Active uses may include commercial retail units, personal services, fitness facilities, food markets, restaurants, daycares, and other uses deemed appropriate by the Incentives Approval Committee in their sole and exclusive discretion.

4. Decision Making & Approval Levels

4.1 Incentives Approval Committee

The Incentives Approval Committee consists of two members:

1. General Manager of Planning & Development Services or other Planning designate; and,
2. Chief Financial Officer or other Finance designate.

4.2 Decision Making

- All application decisions for grant funding up to \$15 million made pursuant to this Incentive Program shall be in the sole and exclusive discretion of the Incentives Approval Committee. The initial evaluation of the application will be conducted by the Downtown Strategy Team, which will make a recommendation for approval or refusal to the Incentives Approval Committee.
- All application decisions for grant funding over \$15 million made pursuant to this Incentive Program shall be in the sole and exclusive discretion of Council. The initial evaluation of the application will be conducted by the Downtown Strategy Team, which will make a recommendation for approval or refusal to the Incentives Approval Committee. If the Incentives Approval Committee makes a recommendation for approval, the application will proceed to Council for decision.

Approval Range – Conversion (per project)	Decision Making
Up to \$15 million	Incentives Approval Committee
Greater than \$15 million	Council

5. Criteria

5.1 Office Conversion Criteria

All application decisions made pursuant to this Incentive Program shall be in the sole and exclusive discretion of the Incentives Approval Committee, or Council if in excess of \$15 million.

To be considered eligible to be approved by the Incentives Approval Committee or Council, as the case may be, an applicant must first satisfy the criteria outlined below. The criteria below must be met to be considered for the Incentive Program.

1. The proposed conversion project results in the elimination of office space.
2. The proposed conversion is from office space to one or more eligible conversion uses as specified in table 3.2.
3. The property is located within the Greater Downtown Plan Area with priority given to projects located in the Priority Area of the Downtown Core (see map in Appendix A).
4. The applicant is the property owner¹ or their designated agent, or the applicant provides the Downtown Strategy Team with the following letters of authorization:
 - a. written authorization from the property owner that is satisfactory to the Downtown Strategy Team authorizing The City to obtain any information reasonably requested by The City directly from the property owner; and
 - b. written authorization from the applicant that is satisfactory to the Downtown Strategy Team authorizing The City to discuss the details of the application directly with the property owner.

¹ For the purposes herein, “property owner” means the registered owner of the fee simple estate of the subject property as registered at the Alberta Land Titles Office.

5. Evidence of satisfactory project financing.
6. Applicant track record.
 - a. The applicant shall submit their project experience similar to the scope and size contemplated in the application. If the applicant has no conversion experience, the consultants/advisors that have conversion experience shall be named along with their relevant experience. The development manager(s) or development consultants must have a proven track record in office conversions or major urban renovation projects. The City's previous dealings with the applicant, if any, including the applicant's history of compliance with previous agreements and/or requirements of development, as well as any previous dealings under the Incentive Program, may also be considered.
 - b. The applicant shall prove to the satisfaction of the Downtown Strategy Team that the applicant has the human resources from a project management, supervision and execution perspective (if not own staff then via consultants) available in Calgary.
 - c. Details about the applicant shall be provided with the application as follows:
 - Age of entity/corporation;
 - Type of entity/corporation (legal and industry); and,
 - Proof of good standing with respect to annual filings, corporate standing, and financial capacity.
7. Consideration of existing tenants and uses.
 - a. The applicant must make every reasonable effort to support the relocation of any existing headlease and sublease tenants to a property within the Greater Downtown Plan Area.
 - b. For properties with any of the following uses, applicants must make every reasonable effort to retain tenants, and/or provide a relocation plan within the Greater Downtown Plan area, specifically within the Downtown Core:
 - Non-profit/social services;
 - Educational uses;
 - Cultural spaces, including murals and public art;
 - Daycare & learning centers;
 - Recreational uses;
 - Ground-level retail; and,
 - Health services.
8. Existing active ground floor and Plus 15 level commercial uses should be supported and encouraged to remain.

6. Application Process, Review, and Approval

6.1 Application Intake Period

The Revised Incentive Program will operate with an ongoing and continual intake process pending available funding.

6.2 Incentive Program Information

The Revised Incentive Program Terms of Reference, Program Guide, application process, and information will be available on The City's website and communicated through interest groups.

6.3 Application Requirements

1. Overview of the proposed project
 - a. Ownership of the subject property (as outlined herein);
 - Where applicant is not the current property owner, letters of authorization as outlined in 5.1 will be required, as well as any letter(s) of intent, purchase and sale agreement(s), and/or any other documents relating to the proposed acquisition of the property.
 - b. Intent of project – conversion of xx square feet of office to xx square feet of future use;
 - c. What is being proposed, including details around ground level activation;

- d. Who will be involved in the conversion project (applicant's team and list of consultants such as architects, designers, engineers, lawyers and agents);
 - e. Special consideration – for example, heritage, affordable housing, climate, or other (refer to Program Guide for additional considerations);
 - f. How, and from whom, financing and/or capital is to be sourced and details of amount of financing and/or capital and anticipated rates of interest;
 - g. Estimated total conversion costs;
 - h. Estimated timeline to completion; and
 - i. Photos that show the current site and context.
2. Description and background of the existing asset
 - a. Current use and tenancy;
 - b. Vacancy status;
 - c. Disclose any known environmental concerns, such as the presence of toxic substances within the building and/or contamination of the property or surrounding lands; and
 - d. Explanation of climate measures being considered.
 3. Overview of the physical location of the proposed project
 - a. Project address/location.
 4. Project readiness
 - a. Status of financing/funding;
 - b. Estimated project timeline; and
 - c. Construction drawings and building permits (where available).

6.4 Evaluation

- The Downtown Strategy Team will review applications based on the criteria set out in the Terms of Reference.
- The Downtown Strategy Team will endeavour to review applications as received and respond to applicants within a timely manner. The timeline for response is subject to a variety of factors. Furthermore, a timely review of an application requires the applicant and the Downtown Strategy Team to work collaboratively, and the applicant must provide documentation or other information as required on a timely basis to facilitate these timelines. Failure to respond in a timely manner from applicants may result in delay or refusal of their application.
- Following review by the Downtown Strategy Team, application(s) will be brought forward to the Incentives Approval Committee with a recommendation for decision (approval or refusal).
- Applicants will be informed by the Downtown Strategy Team of the status of their application once the Incentives Approval Committee or Council, as the case may be, has decided to approve or refuse the application.
- For applicants that submit viable and acceptable conversion proposals, but where funding is not available under the Incentive Program at that time, those applications will be evaluated anew if/when funding becomes available, with no guarantee of priority status or funding allocation.

6.5 Approval of Applications

- All application decisions made pursuant to this Incentive Program shall be in the sole and exclusive discretion of the Incentives Approval Committee or Council, as the case may be.
- Application decisions, including approvals, made pursuant to this Incentive Program do not: (1) constitute the granting by the municipality of The City of any approval or permit as may be required pursuant to the *Municipal Government Act (Alberta)* or any other legislation in force in the Province of Alberta, including approvals of subdivision and permit applications and any land use redesignation applications, or (2) restrict the municipality of The City, its Council, officers, employees or agents in the full exercise of any and all powers and duties vested in them in their

respective capacities as an approving authority over subdivision and permit applications and land use redesignation applications, or as a governmental authority.

- If an application is approved by the Incentives Approval Committee or Council, as the case may be, a Funding Agreement in The City's form will be prepared for signing by the applicant and The City, laying out the responsibilities and obligations of both parties. If stage gates during the construction process are not met, the Funding Agreement may be terminated, at The City's sole discretion.
- Successful applicants must provide regular reports to the Downtown Strategy Team on progress towards completion – the details of reporting requirements will be outlined fully in the Funding Agreement. These reporting requirements may include copies of progress draws from lenders or other supporting documentation to confirm ongoing progress on the project. If an applicant elects to self-fund, evidence of internal financial resources is required.

6.6 Grant Payment

The grant will be payable upon fulfilment of the terms of the Funding Agreement, completion of construction, and receipt of occupancy permit.

7. Monitoring & Reporting

7.1 Reporting

- The success of the processes outlined in these Terms of Reference will be monitored on an ongoing basis.
- The Downtown Strategy Team will provide ongoing reporting on the Incentive Program's results, financial status, and make recommendations regarding the Incentive Program's Terms of Reference to Council as required.

7.2 Effective Date

These Terms of Reference are effective on the date they are approved by Council.

8. Confidentiality

For the purposes of this section, "**Confidential Information**" means information considered proprietary to an applicant and disclosed to The City pursuant to this Incentive Program, and includes all material, data and information (regardless of form and whether or not the same is protected by copyright, patent, or other applicable law) which is not available to the public. "Confidential Information" does not include any information that: (i) is now in or subsequently enters the public domain through means other than by the direct or indirect disclosure by The City; (ii) is already in the possession of The City; (iii) is lawfully communicated to The City, free of any confidentiality obligation; (iv) The City has received the applicant's prior written approval to disclose; or (v) The City is required to disclose pursuant to the *Municipal Government Act* (Alberta), the *Freedom of Information and Protection of Privacy Act* ("FOIP Act"), or any subsequent legislation of similar effect, or The City is required to disclose pursuant to any law or order of a court having jurisdiction over the matter.

If an application contains Confidential Information, applicants should mark it as such and The City will make all reasonable efforts to maintain in confidence the Confidential Information. Without limiting the generality of the foregoing, The City will make reasonable efforts to keep, file and store all Confidential Information, together with any notes or other material incorporating or relating to the Confidential information, in a manner consistent with the FOIP Act, as well as in a manner consistent with its confidential nature and to take all reasonable action, whether by instruction, agreement or otherwise, to ensure that its employees do not disclose or use the Confidential Information directly or indirectly, for any purpose other than the purposes for which it was provided.

Notwithstanding the foregoing, The City may be required to disclose Confidential Information pursuant to its public disclosure obligations as contained in the FOIP Act. Should such disclosure be required, The City shall use its reasonable efforts to limit that disclosure and, in any event, shall make that disclosure only to the extent so required. The City hereby advises all applicants that any disclosure of Confidential Information pursuant to The City's obligations under the FOIP Act does not constitute a breach of any obligation of confidentiality that may exist between The City and the applicant.

Appendix A:

Downtown Calgary Development Incentive Program Map

