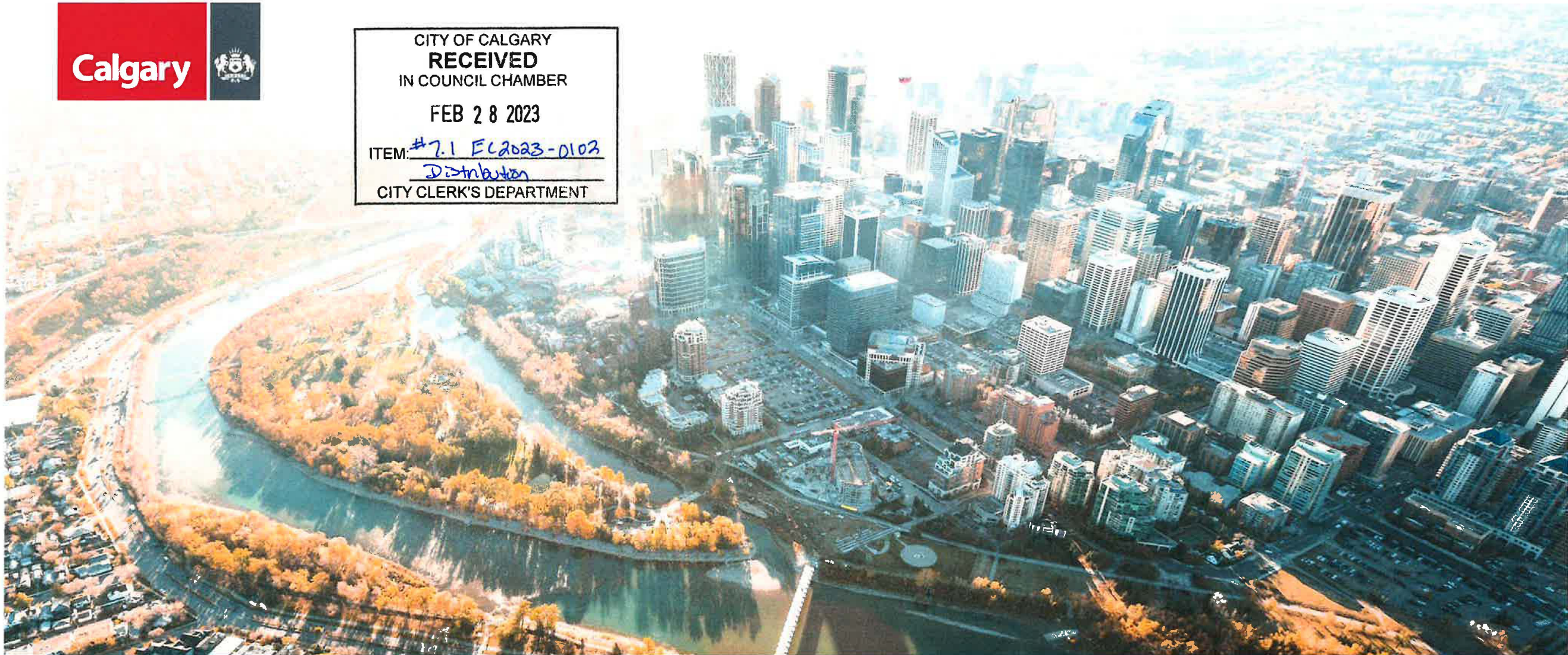




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ITEM 7.1: Advancing the Downtown Strategy through Incentive Program Expansion (EC2023-0102)

Executive Committee
2023 February 28
ISC: Unrestricted

Recommendations

That with respect to Report EC2023-0102, Administration recommends:

That the Executive Committee recommend that Council:

1. Approve the Revised Downtown Calgary Development Incentive Program Terms of Reference contained in Attachment 2;
2. Approve the use of any remaining unallocated budget for the Downtown Calgary Development Incentive Program for the Revised Downtown Calgary Development Incentive Program;
3. Approve the Downtown Post-Secondary Institution Incentive Program Terms of Reference contained in Attachment 3;
4. Approve the Downtown Office Demolition Incentive Program Terms of Reference contained in Attachment 4; and
5. Approve the redirection of \$3 million of the Plus 15 Fund offset incentive budget towards the Downtown Office Demolition Incentive Program.

Previous Council Direction

DATE	REPORT NUMBER	DIRECTION/DESCRIPTION
2022 November 8	C2022-1051	<p>2023-2026 Service Plans and Budgets</p> <p>That with respect to Report C2022-1051, the following be adopted, as amended: That Council:</p> <ol style="list-style-type: none"> 1. Approve and adopt the 2023-2026 Service Plans and Budgets, including the community indicators, service performance measures, and associated operating and capital budgets as identified in Revised Attachment 4, and further, that Council direct Administration to take critical, responsive measures as follows to provide support and investment for residents and businesses; III. Draw \$40 million from the Real Estate Services Reserve as an investment for the Downtown Strategy work presently underway, with funds to be allocated as follows: <ol style="list-style-type: none"> a. \$31 million to the Phase 1: office to residential conversion program, and b. \$9 million to the Phase 2: office to post-secondary institution conversion program for which the proposed terms of reference will be delivered to Council in 2023 Q1, while reaffirming that all future proceeds related to industrial and business park development in Program # 696 – Commercial Development, will be directed into the Real Estate Services Reserve. <p>That with respect to Report C2022-1051, the following Motion Arising be adopted:</p> <p>That Council direct Administration to explore a funding source in the amount of \$20 million and engage with the Government of Alberta to request matching funds for post-secondary conversion of office to institutional space as part of the Downtown Strategy, and in accordance with the provincial government's Calgary Office and Revitalization & Expansion (CORE) Working Group recommendations.</p>
2022 September 29	EC2022-0935	<p>Deferral request for delivery of Downtown Calgary Development Incentive Program Phase 2 (PFC2021-0779) Terms of Reference due Q3 2022, to return no later than Q1 2023</p>

Recap: The Challenge

- Downtown is central to Calgary's economy and we're facing a long road to recovery.
- There is no looking back.
- We are not done - the road to reinvention has only just begun.

14 Million sq. ft.

Total **vacant** office space
downtown
(CBRE Q4 2022)

32.6%

Downtown office **vacancy**
rate
(CBRE Q4 2022)

\$16.4 Billion

Loss in property value for downtown
office buildings from 2015 to 2022
(City of Calgary Assessment, 2022 tax year)

67%

Decrease in downtown property values
(City of Calgary Assessment)

Bold Action by Council to Reduce Vacancy

- April 2021 – **\$45 million** initial investment in the Downtown Calgary Development Incentive Program
 - November 2021 – **\$55 million** additional investment in the Incentive Program
 - November 2022 – **\$53 million** additional investment in the Incentive Program
– **\$ 9 million** investment to kickstart a new Downtown Post-Secondary Institution Incentive Program
-

City Council has committed **\$162 million** towards office conversions in the downtown

Calgary is a Global Leader in Addressing Office Vacancy

WORKLIFE

What is Worklife? How We Work How We Live How We Think More

HOW WE LIVE

The office spaces transforming into luxury apartments

[BBC](#)

Office towers are getting a new lease on life by being transformed into housing

[Financial Post](#)

THE GLOBE AND MAIL

CANADA WORLD BUSINESS INVESTING WATCHLIST PERSONAL FINANCE OPINION POLITICS SPORTS LIFE ARTS

Converting office buildings to hybrid spaces, multiuse facilities, key to downtown planning

[The Globe and Mail](#)

THE GLOBE AND MAIL

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ADA WORLD BUSINESS INVESTING WATCHLIST PERSONAL FINANCE OPINION POLITICS SPORTS LIFE ARTS DRIVE REAL ESTATE PODCASTS

Calgary's core mission: to turn a ghost town of office towers into living neighbourhoods

Planners have lots of ideas to bring housing, street life and culture to spaces once dominated by nine-to-five office work. But they hinge on two complex questions: what to do with the old buildings, and at what cost

[The Globe and Mail](#)

San Francisco Chronicle


BAY AREA SAN FRANCISCO

Yes, S.F. could turn empty downtown offices into housing. Here's what it would take

[San Francisco Chronicle](#)

BUSINESS | News

How Canada's empty offices could get a second chance



[CTV News](#)

LA PRESSE

"the Alberta metropolis has acted radically to stimulate their conversion into housing. The success of this program exceeds all expectations. Extreme simplification of bureaucracy, generous subsidies, flexibility: Montreal should take notes"

[La Presse](#)

Calgary

What does the future hold for Calgary's empty office towers?

f t e r in

When some workers return to the city's core, they might notice a transformation

[CBC National](#)

Downtown Calgary Development Incentive Program Status and Progress

14

Conversion projects
submitted to-date
for consideration

2 Million

Square feet of office space
contemplated for conversion

1,800+

Estimated new
dwelling units

1/3

Of our 10-year goal
within reach

\$130 Million

Incentive funding
conditionally allocated

\$360 Million+

Estimated leveraged private
investment

Revisions to Downtown Calgary Development Incentive Program

- **Expand use list to include hotels, schools & performing arts centres**
 - Complementary uses to residential to support growing population
 - Support economic diversity and tourism
- **Incentivize active uses at ground and Plus 15 levels**
 - Increase amenities and services downtown
 - Enhance downtown vibrancy
- **Increase the Incentives Approval Committee approving threshold from \$10 million to \$15 million**
 - Streamline approvals process

New Post-Secondary Incentive Program

- **Incentivize office conversion to post-secondary institutions in the downtown**
 - Initial \$9 million investment for the University of Calgary's School of Architecture, Planning and Landscape
 - Participation of the Province is required to facilitate 20 years+ of lease payments
 - Collaboration between the Province, City, post-secondary institutions and private building owners
 - Potential future program expansion to facilitate other faculties and institutions, contingent upon additional Provincial funding

New Downtown Office Demolition Incentive Program

- **Incentivize the removal of vacant office buildings**
 - Remove inefficient and end-of-life buildings that negatively impact downtown vibrancy
 - Mitigate climate risks by removing buildings vulnerable to climate impacts
 - Create opportunities for new prime development sites, public amenity and greenspaces

Strategic Repurposing of Plus 15 Fund Offset Incentive to Support Demolition Incentive

- **Redirect \$3 million of the Plus 15 offset incentive to support the Downtown Office Demolition Incentive Program**
 - Leverage existing approved funding to expedite the removal of additional vacant office space
 - Remaining offset incentive funds available for new residential development, if required
 - Future review of Plus 15 fund requirements to reduce barriers to new residential development

Next steps for the Programs

- Upon Council approval, Programs will be opened for on-going intake with wide-reaching communication efforts
- Residential conversions will remain a priority to support the growing need for housing
 - 40,000 new immigrants to Calgary expected each year
 - Projected demand of 2,000 new dwelling units in the downtown each year
 - Conversions can expedite housing supply and provide more choice and affordability
- Must continue to address safety and amenity gaps
- Existing funding almost fully allocated – need new sources to sustain the programs

That with respect to Report EC2023-0102, Administration recommends:

That the Executive Committee recommend that Council:

1. Approve the Revised Downtown Calgary Development Incentive Program Terms of Reference contained in **revised** Attachment 2;
2. Approve the use of any remaining unallocated budget for the Downtown Calgary Development Incentive Program for the Revised Downtown Calgary Development Incentive Program;
3. Approve the Downtown Post-Secondary Institution Incentive Program Terms of Reference contained in Attachment 3;
4. Approve the Downtown Office Demolition Incentive Program Terms of Reference contained in Attachment 4; and
5. Approve the redirection of \$3 million of the Plus 15 Fund offset incentive budget towards the Downtown Office Demolition Incentive Program.