

## **Citywide Approach to Retail/Commercial Planning and Development**

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### **EXECUTIVE SUMMARY**

In July 2013, Council directed Administration to proceed with a request for a proposal to select a consultant to undertake a comprehensive citywide retail/commercial study and program. Work was to include: 1) a citywide retail/commercial assessment and strategy document to support business and agency coordination, and 2) a strengthened planning focus on commercial areas in developed areas within activity centres and main streets, including an assessment of the opportunities for mixed-use development. The results of the study are provided in this report. The project and study were funded through the Council Innovation Fund. As required, Administration is reporting back to Priorities and Finance Committee on the budget spent and key findings and outcomes of the funded study.

The citywide retail and commercial assessment provided a fully searchable retail database, based on on-the-ground verification. This comprehensive retail inventory will provide ongoing value to planners and other city departments to verify data on planning applications and to support planning initiatives. It is an asset that most large Canadian cities lack.

The study proposes future actions The City should take to support retail and commercial success in Calgary. Many of these actions are already underway through existing planning programs and initiatives. Recommendations include continuing to focus on identifying, planning and investing in strategic priority areas (main streets and activity centres). The study identifies actions to reduce regulatory and other barriers through improved implementation planning processes or regulatory reform, specifically for mixed use developments. Further, the study recommends ensuring that local plans consider and reflect unique community context and market conditions, and that The City continues to promote and coordinate the exchange of knowledge, based on the study's retail and commercial data and findings. These initiatives support better informed and innovative planning and will provide guidance to businesses, developers and other industry stakeholders.

Administration will be implementing the study's proposed actions through various Planning & Development (PD) projects and programs currently underway including Main Streets, Green Line, the Developed Area Guidebook and future policy plans.

### **ADMINISTRATION RECOMMENDATION(S)**

That the Priorities and Finance Committee recommend that Council receive this report for information.

### **PREVIOUS COUNCIL DIRECTION / POLICY**

At the 2013 July 22 meeting, Council through report PFC2013-0435 Citywide Approach to Retail/Commercial Planning and Development approved the following recommendations:

1. Authorize an expenditure of up to \$375,000 for this project from the Innovation Fund and;
2. Direct Administration to proceed with a Request for Proposal to select a qualified consultant to undertake the terms identified in this scope of work.

At the 2013 February 25 meeting, Council received report PUD2013-0183, Citywide Approach to Retail/Commercial Planning and Development, and directed Administration to report to the

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Priorities and Finance Committee to request funding from the Innovation Fund no later than 2013 April.

On 2012 November 19, Council through NM2012-46, Establishing a Comprehensive Citywide Approach to Retail Centres, directed that the Administration bring a scoping report to Council through the Standing Policy Committee on Planning and Urban Development, not later than February 2013, describing the scope of work, cost and resources required to complete a comprehensive retail policy for Council's consideration which includes:

- General timelines,
- Cost and resources required,
- Engagement and communication plan, and
- Regional and community context.

### **BACKGROUND**

The proposed work plan for a retail and commercial study and strategy was approved in July 2013 with the intent of providing The City with the needed consulting expertise and research to better understand the current retail/commercial conditions and future needs.

Prior to undertaking this work, concerns about retail development included: a potential oversupply of retail, particularly given the number of proposed large scale retail developments (over 12 million additional square feet) across the city; the balance of retail store size and market area identified in the Municipal Development Plan (MDP) priority areas (main streets and activity centres); and perceived competition from the surrounding region.

There had been no review of retail policy or city wide information since the preparation of the MDP in 2008. The proposed study was intended to establish clearer direction and implementation measures to realize City objectives established in the MDP related to supporting neighbourhood and community commercial/ retail development. The key objectives of the MDP (section 4.1) related to strategic retail policies include: 1) to concentrate retail and broader commercial activity in Centres and Main Streets; 2) to prioritize redevelopment, improvements and expansion of existing retail areas; and 3) to create new or redevelop existing community and neighbourhood retail centres to serve community needs.

There was also a desire to better coordinate and strategically plan retail areas city wide. The study's evaluation and the outlined strategic direction are intended to inform future local area plans, and other City policy plans.

Prior to the approval of funding for the study, PFC advised Administration to revise the initial proposed scope of work, study costs and timelines to reduce the budget. The scope of work was limited to address immediate research and expertise needs to support priority projects in Planning & Development (PD). Additional areas of research and analysis regarding retail/commercial planning and development, such as for greenfield areas, will be addressed when budgets and priorities allow.

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### **INVESTIGATION: ALTERNATIVES AND ANALYSIS**

#### Overview

In 2013, after a short delay in the Request for Proposal process due to the flood and resourcing challenges, Administration received funding and hired JC Williams Group and IBI Group to undertake a city wide retail and commercial study. Their work commenced in 2014. As required, Administration is reporting back on the key findings, deliverables (budget spent) and the recommendations of the study. The \$375,000 budget supported \$250,000 for consulting work and \$125,000 for one limited term full-time equivalent (FTE). Attachment 1, “Calgary City Wide Retail and Commercial Study” report, summarizes the key findings and supported recommendations of the consulting work. This report is intended to consolidate the findings of the consultant’s eight reports into one user friendly, easy to understand document. It will also be an ongoing point of reference for retail related development issues for Calgary. Attachment 2 provides an overview of how the funding was used related to the terms of reference program, work completed and project timelines.

#### Phase 1: Existing Retail and Commercial Conditions

The consulting budget funded a two phased comprehensive retail and commercial study. Phase 1 of the study, completed in 2015, assessed retail and commercial supply and market conditions and trends in Calgary and the Canadian context. Work included an online survey, development of eight sector profiles detailing socio-economic characteristics, retail supply and submarket data, and a comparative evaluation of selected main streets and activity centres for their retail viability and strengths.

This review produced an updated comprehensive citywide inventory of retail/service space, an analysis of retail opportunity areas that highlights market assets and barriers, and a retail/commercial analysis of selected main streets and activity centres. This assessment provides an updated analysis of the demographic and retail trends and conditions shaping Calgary’s retail/commercial environment and the potential for growth in neighbourhoods that can best support retail expansion. This research has been supporting City planners on planning projects and other implementation work since 2015. It is noteworthy that this detailed inventory and study is an asset that most large Canadian cities lack.

#### Phase 2: Future Action Areas

Phase 2 of the study was closely aligned to the Main Streets program and timelines. This phase outlined general principles for successful and viable retail development, identified strategic priority retail areas for Calgary’s main streets and activity centres and provided further recommendations for specific actions, as identified in the implementation plan schedule. This phase of the study included an examination of The City’s planning processes related to retail development. The attached “Calgary City Wide Retail and Commercial Study” report (Attachment 1) contains the results of this work.

The study provided research on best practices and innovative approaches to managing commercial areas. Many of the tools and resources identified through the best practices research are already in place in Calgary. Those tools most applicable to Calgary’s strong retail

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market, include tax incremental financing, district branding, public improvement fees, expedited permitting, parking incentives, pedestrian and bicycle infrastructure investment and small business programs or incubators. The study outlines a summary, or “toolkit”, of mechanisms available to public authorities seeking to incentivize retail. These tools can be used on a project by project basis in different socio-economic contexts.

### **Key Findings**

Important findings from the study, as outlined in the *Existing Conditions*’ section beginning on page 4 of the attachment, include the following:

- Calgarians are generally well served by retail in every sector of the city with slightly greater opportunities for future growth in the west and southeast sectors.
- Even with high levels of retail supply, Calgary has many advantages that continue to attract and retain retailers.
- Current planning processes are becoming more and more efficient and are supportive of maintaining and building strong retail and commercial services throughout the city.
- Through strategic planning programs and investment in identified areas, The City continues to support and foster retail and commercial business.
- The concern about outflow of retail spending to the surrounding region appears to be unwarranted.
- The existing MDP policy direction emphasizing and supporting retail concentrations in activity centres and main streets is fundamental to future retail success.
- Activity centres and main streets should be planned according to their context and development opportunities rather than treating all districts the same.
- The City needs to prioritize areas for redevelopment where market strength can best optimize business success.
- Calgary’s most viable retail growth areas ought to take advantage of mixed-use areas and opportunities such as prioritized main streets.
- While the City is working on providing non-driving alternatives to residents, such as improved walking and bicycling streets and better transit options, shopping locations must provide adequate accommodation for cars, at least in the short to mid-term in order to be successful.

Where possible, Administration has updated the socio-economic data and verified that these findings still reflect current trends despite a slowdown in the economy, a significantly higher unemployment rates and higher vacancies, particularly in the downtown core, in Calgary.

### **Future Approach and Actions**

The study has provided planning staff with valuable insight related to Calgary’s retail environment. This research is currently supporting planners on local area planning projects and other implementation planning work. The strategy is built on the following three action areas:

1. Make it easier to do business in Calgary by providing technical and other support to existing and new retail and commercial businesses.
2. Pursue comprehensive, integrated planning tied to City goals and investment.
3. Commit to ongoing research, exploration and monitoring to inform planning, support innovation and respond to needs of the evolving market.

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The future approach and actions build on Calgary's existing planning and broader corporate strategies that link land use, urban form, the transportation network and the important role of retail and commercial development in community building. Attachment 3 identifies the resulting key planning focus areas that support this strategy.

Current planning priorities and local area plan work and projects are aligned to this approach. In order to implement the strategy, Administration is already taking or will undertake efforts to provide support to existing and new commercial businesses. These include more efficient planning policy, regulation and processes in priority areas to reduce developers' costs. Examples include The City's prioritized planning work through Green Line and the Main Streets programs which will provide new local area plan development and City initiated land use redesignations. Furthermore, the study will help Administration to prioritize future areas for redevelopment in strategic areas where there is already strong retail viability to maintain and expand existing and new community retail and commercial businesses.

Policy initiatives such as the Developed Areas Guidebook and a new Land Use Bylaw district for mixed use areas will support greater flexibility for retail, commercial and other mixed use developments and areas. Administration will also continue to monitor, evaluate and share information on retail development and trends to better inform planning work and respond to the needs of an evolving market. To make the most of the extensive research and analysis conducted for this study, Administration will continue to update the retail inventory every three years and track commercial development projects, particularly in strategic growth areas.

### **Conclusions**

The study concludes that the retail market is highly competitive in Calgary. The city has many advantages when it comes to attracting retail development. Through strategic planning programs and investment, The City continues to support and foster retail and commercial business. The study found that activity centres and main streets are attractive to retail businesses, for both market factors and City policy. No significant planning policy or process changes are recommended. Further, the concern about the outflow of retail spending to the surrounding region appears to be unwarranted.

This Innovation Fund supported study provides a more proactive, comprehensive and coordinated approach to retail commercial development. It gives clear and consistent direction to planners, developers and communities who are advancing retail across the city.

### **Stakeholder Engagement, Research and Communication**

During Phase 1 of the study the consultants conducted extensive interviews and focus groups with stakeholders including City staff, retailers and retail developers, Business Revitalization Zone representatives, brokers, investors, and representatives from targeted geographic areas. In 2016, further consultation was conducted during Phase 2 of the study on the key findings and the proposed recommendations. Industry stakeholders were consulted on a proposed implementation plan outlining a series of key action areas to support retail commercial, and specifically mixed-use developments in priority areas. Staff revised the plan to reflect industry's priorities and will undertake this work in 2017. Stakeholders identified the need to further evaluate and share information on City development costs, process and regulation barriers, and

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other important data for mixed use projects with retail and commercial developments. This will help to reform regulatory planning processes and other hurdles that can restrict mixed use projects. Additionally, there has been engagement and research conducted on specific retail/commercial sites and projects. Administration will continue to build on the input provided by stakeholders and will conduct further engagement on a project-by-project basis.

### **Strategic Alignment**

The study focuses on supporting key objectives of the MDP: emphasizing high-quality retail environments and supporting retail concentrations in activity centres and main streets to ensure that Calgary residents have convenient access to goods and services city wide and that development maximizes existing infrastructure investments.

### **Social, Environmental, Economic (External)**

The study's recommendations can inform planning policy and initiatives and strategies needed to improve the overall character, physical design, function and viability of retail centres and commercial development in Calgary.

Informed planning decisions will recognize and reinforce that retail and commercial development contribute to community life and social connection and activity by enabling people to meet their needs for goods and services.

Promoting good access to retail city wide helps to reduce greenhouse gas emissions by providing the opportunity for residents to shop without needing a private vehicle. Activity centres and main streets can encourage transportation options such as walking, cycling or transit, or making shorter vehicular trips, which are consistent with the goals of the Calgary Transportation Plan (CTP).

A better understanding of retail trends and needs helps to inform investment in retail businesses, contributing to the economy, providing employment and providing for citizens' retail needs. This work is also aligned to the City's Corporate Economic Development priorities, including outlined Action Plan initiatives to "support civic, business and community partners, as well as business revitalization zones, to collaborate and attract local and global investment".

### **Financial Capacity**

#### **Current and Future Operating Budget:**

The original program approval had a budget of \$375,000. This budget has been spent. No further consulting work or budget allocation is recommended at this time. The proposed implementation plan aligns with current resource levels.

#### **Current and Future Capital Budget:**

There are no capital budget implications.

### **Risk Assessment**

No significant risks were identified for undertaking the proposed program and study. The study illustrates a snapshot of Calgary's retail landscape and provides insight into its retail challenges given the significant supply of retail and commercial development and competing demands. Due

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to the economic downturn and volatility, some of the reported findings may have changed. Administration has updated the socio-economic data where possible to reflect more current trends and accuracy.

Despite its competitive advantages, a number of challenges face Calgary retailers. These include a highly competitive market in some retail categories, increased vacancies, and a slowdown in the economy. These factors may make redevelopment and the city's ability to grow and sustain businesses in some strategic locations and achieve complete communities more difficult.

#### **REASON(S) FOR RECOMMENDATION(S):**

This report fulfills Council's direction to undertake a retail/commercial study. It supports better decision making regarding the future planning and development of retail/commercial areas in Calgary and aligns with the objectives and vision of the Municipal Development Plan and Calgary Transportation Plan.

#### **ATTACHMENT(S)**

1. The Calgary City Wide Retail and Commercial Study report
2. Terms of Reference for City Wide Approach to Retail/Commercial Planning & Development Program and Project Budget
3. Calgary City Wide Retail and Commercial Study: Resulting Key Focus Areas