

Planning & Development Services Report to
Executive Committee
2024 July 23

ISC: UNRESTRICTED
EC2024-0800

Downtown Calgary Development Incentive Program Updates

PURPOSE

The purpose of this report is to seek Council approval for revisions to the Downtown Calgary Development Incentive Program Terms of Reference.

PREVIOUS COUNCIL DIRECTION

At the Regular Meeting of Council on 2024 February 27, Council received report *AC2024-0238 Downtown Calgary Development Incentive Program Audit* for the Corporate Record. The report included recommendations for revisions to the Program in support of improved clarity and transparency for both review processes and decision-making.

RECOMMENDATIONS:

That the Executive Committee recommends that Council:

1. Approve the revised Downtown Calgary Development Incentive Program Terms of Reference contained in Attachment 2.
2. Direct that Attachment 4 and related discussions be held confidential pursuant to Sections 24 (Advice from officials), 25 (Disclosure harmful to economic and other interests of a public body), and 27 (Privileged information) of the *Freedom of Information and Protection of Privacy Act*, to be reviewed by 2031 December 31.

CHIEF ADMINISTRATIVE OFFICER/GENERAL MANAGER COMMENTS

General Manager Debra Hamilton concurs with this report. The proposed Terms of Reference updates will support the accelerated delivery of housing and continued revitalization of Calgary's downtown. The changes support consistent and clear expectations for applicants, with several improvements based on learnings from program implementation to-date.

HIGHLIGHTS

- Proposed updates to the existing Downtown Calgary Development Incentive Program will enable further progress on the goals and vision of the Greater Downtown Plan.
- Key revisions include improvements to the governance structure, additional clarity on review and decision-making processes, as well as the inclusion of residential uses that support co-living and student-focused housing.
- The revised Terms of Reference align with the recommendations of the Downtown Calgary Development Incentive Program Audit Report, AC2024-0238.
- The revised Terms of Reference align with *Home is Here - The City of Calgary's Housing Strategy* and requirements of the Housing Accelerator Fund ("HAF").

DISCUSSION

Background

The Downtown Calgary Development Incentive Program (the Program) was established in 2021 April as a key component of report [C2021-0524, Realizing Calgary's Greater Downtown Plan – Initial Investments and Incentives](#). The purpose of the Program is to provide financial incentives

Downtown Calgary Development Incentive Program Updates

to assist with the removal of approximately six million square feet of office space to address the disinvestment in Calgary's downtown and catalyze its transformation towards a more balanced mix of residential, office, retail, entertainment, tourism and culture.

To date, the Program has approved and enabled 12 office conversion projects (11 residential and one hotel), which will result in the removal of over 1.6 million square feet of office space, create over 1,500 new dwelling units for Calgarians, and leverage an estimated \$370 million of private investment in downtown construction.

On 2023 October 17, acceptance of new applications for The Program was paused, pending securing additional funding and updates to the Terms of Reference.

Revised Downtown Calgary Development Incentive Program Terms of Reference

In response to the Audit recommendations and requirements of the HAF agreement, a revised Terms of Reference for the Program was developed and is provided as Attachment 2.

The following is a summary of the key updates to the Program Terms of Reference:

- **Governance**: The Incentives Approval Committee (IAC) has been updated to include the General Manager of Planning & Development Services, the Director of Finance and the Director of Real Estate & Development Services, or delegates. An Administrative Review Panel has been created to provide an avenue to applicants for appeals of decisions, which will consist of the Chief Financial Officer and the Chief Operating Officer.
- **Eligible Uses**: The list of eligible uses has been expanded to include co-living proposals where some communal facilities may be provided. This will allow for broader diversity in housing types and populations in the downtown, including student-focused housing.
- **Application Review Process & Evaluation**: The review and evaluation process has been revised and clarified. A Preliminary Review of 'pass/fail' criteria has been established to determine application eligibility based on legal and financial requirements.
- **Clarity on Quality Expectations**: A project design section has been included in the revised Terms of Reference to provide applicants with a better understanding of City expectations on quality measures, particularly in the delivery of housing. These expectations reflect the quality of projects already approved under the previous Terms of Reference.
- **Increased Requirements for Project Readiness**: In alignment with the requirements of the Housing Accelerator Fund, the Program includes stronger requirements regarding project readiness and a demonstrated ability to execute. Projects accessing HAF funding will also be required to commit to project execution on expedited timelines and construction schedules.
- **Payment of Funds**: In alignment with the HAF funding agreement, which requires fund payment by October 2027, the Program will now be able to stipulate the payment of funds at stages of development other than project completion/occupancy issuance. 'Early' payment of funds will be considered and negotiated on a project-by-project basis, dependent on project timelines, and only when utilizing HAF funding. Remaining Council-approved Program funds will continue to only be paid at project completion.

The Terms of Reference will be supported by supplementary information on the Program website, providing additional guidance to applicants to support their application submission and process.

Downtown Calgary Development Incentive Program Updates

Housing Accelerator Fund (HAF)

In 2023 October, the Housing Accelerator Fund Contribution Agreement between The City of Calgary and the Government of Canada was executed, providing incentive funding to increase the supply of housing. The HAF Approved Action Plan includes the accelerated delivery of housing downtown through office to residential conversions. The City commits under “Initiative 1 – Accelerate housing delivery in the downtown”, to deliver “1,050 estimated permitted units” through the Program. This funding source will provide an initial \$52.5 million for the Downtown Calgary Development Incentive Program and supports the re-opening of the Program. The Terms of Reference have been revised to align with requirements of the HAF Agreement. Residential use is the only use eligible to receive funding from the HAF.

Downtown Calgary Development Incentive Fund Program Audit

The Program underwent an Audit review in 2023 by the City Auditor’s Office, and recommendations for revisions to the Program were received on 2024 February 8 through report AC2024-0238. Key recommendations for Program improvement included additional clarity and transparency of process and decision-making and improved consistency of documentation and communication. These improvements are captured through the revised Terms of Reference, in alignment with business practices and internal protocol updates.

EXTERNAL ENGAGEMENT AND COMMUNICATION

- | | |
|---|---|
| <input type="checkbox"/> Public engagement was undertaken | <input checked="" type="checkbox"/> Dialogue with interested parties was undertaken |
| <input checked="" type="checkbox"/> Public/interested parties were informed | <input type="checkbox"/> Public communication or engagement was not required |

The Real Estate Sector Advisory Committee (RESAC) was included in circulations of the draft Terms of Reference. Input and advice from the group was considered and incorporated where appropriate.

IMPLICATIONS

Social

The Program continues to support the accelerated delivery of housing in the downtown. To date, the Program has enabled the delivery of over 1,500 new dwelling units, including a range of studio, 1-bedroom, 2-bedroom and 3-bedroom offerings. Additionally, the revised Program will now incentivize co-living proposals, which will help support student housing and improve affordability and housing choice for Calgarians.

Environmental

The Program continues to support the conversion and adaptive reuse of existing buildings, resulting in improved energy efficiencies by bringing old buildings up to current Alberta Building Code requirements. Significant green house gas and embodied carbon savings are also achieved through building retention.

Downtown Calgary Development Incentive Program Updates

Economic

To date, the Program has leveraged over \$370 million in private investment in downtown construction, spurred market activity in land sales and acquisitions and supported the decrease in office vacancy rates, with a subsequent increase in assessed property values. The revised Program will further accelerate investment in the downtown through additional eligible uses, improved evaluation processes and an increased emphasis on project readiness and execution.

Service and Financial Implications

No anticipated financial impact

No additional funding requests are being made through this report.

RISK

There are no identified risks associated with the approval of this report. Rather, there are significant risks should the report and recommendations not be supported. Firstly, the reopening of the Program through the revised Terms of Reference is required to ensure continued private investment and removal of vacant office space in the downtown and maintain the momentum of global interest in our Calgary's revitalization. Additionally, the revised Terms of Reference is necessary to meet the requirements of the HAF agreement and utilize allocated funding for the continuation of the Program. And finally, a revised Terms of Reference is required to fulfill the recommendations of the Audit Report AC2024-0238 and complete the Program's obligations to the City Auditor's Office.

ATTACHMENTS

1. Previous Council Direction, Background
2. Revised Downtown Calgary Development Incentive Program Terms of Reference
3. Public Presentation
4. Confidential Presentation
5. Downtown Calgary Development Incentive Program – July 2024 Update

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Stuart Dalgleish	Chief Operating Officer	Consult
Debra Hamilton	Planning & Development Services	Approve
Carla Male	Corporate Planning & Financial Services	Approve
Lynne Davies	City Solicitor	Consult
Jeff Chase	Community Services	Consult

Author: Natalie Marchut, Downtown Strategy