

**Planning & Development Services Report to  
Executive Committee  
2026 May 05**

**ISC: UNRESTRICTED  
EC2026-0169**

## **Downtown Office Conversion Program – Review of Terms of Reference and Program Enhancements**

---

### **PURPOSE**

This report presents updates to the Downtown Calgary Development Incentive Program's Terms of Reference for Council approval. In response to 2025 November 10 Motion Arising, the review considered current market conditions, program performance to date, and the potential implications of the proposed changes.

### **PREVIOUS COUNCIL DIRECTION**

During the 2026 Budget Adjustments to the 2023-2026 Service Plans and Budgets (C2025-0901) Council directed Administration to collaborate with the Real Estate Sector Advisory Committee (RESAC) of Calgary Economic Development to review the Terms of Reference for the Downtown Calgary Development Incentive Program and report back on the following suggestions to Executive Committee of Council no later than Q2 2026:

- Review the maximum eligible funding limit per project;
- Examine alternative methods of delivering incentives beyond per square footage incentives;
- Include a base rate of return threshold; and
- Explore creation of the option for a competitive process;

### **RECOMMENDATION(S):**

That the Executive Committee recommend that Council approve the revised Terms of Reference for the Downtown Office Conversion Program (previously Downtown Calgary Development Incentive Program) in Attachment 2.

### **GENERAL MANAGER COMMENTS**

General Manger Debra Hamilton concurs with this report. The revised Terms of Reference has been updated to reflect current market realities and to further incent the conversion of vacant office to non-residential uses.

### **HIGHLIGHTS**

- The Downtown Office Conversion Program (“the “Program”) is a Council approved initiative, designed to limit further decline in downtown land value by enabling the conversion of vacant office buildings to other uses that would not otherwise proceed.
- Administration reviewed the Program's Terms of Reference in collaboration with RESAC, assessing proposed changes against development market conditions, fiscal impacts, and continued challenges in the office market.
- This review examined alternative methods of delivering incentives and confirmed that a grant-based method is most effective in the downtown Calgary context to enable financial viability of an office conversion.

## Downtown Office Conversion Program - Review of Terms of Reference and Program Enhancements

---

- Additional refinements have been made to the Terms of Reference that specifically address the Motion Arising as well as minor changes to enhance the Program's transparency and efficiency.

### DISCUSSION

Persistent surplus office space undermines downtown vibrancy, contributes to mixed perceptions of safety, reduces investor confidence, and weakens the assessed property value of the city's primary employment centre. Converting vacant office space into homes or other new uses means more people living and working downtown, which helps local businesses thrive, makes the area feel safer and increases property values.

Administration and RESAC undertook a comprehensive evaluation of potential refinements to the Program, informed by performance to date, current market challenges, and market insight. This evaluation confirmed that grant-based incentives remain the most efficient, predictable, and timely path to downtown recovery, providing the strongest and most direct link between public investment and vacancy reduction. For every \$1 of public funds allocated to the program, there is a \$7 economic impact through supporting local industry, creating jobs and enabling services.

Based on this evaluation, the recommended refinements to the Program's revised Terms of Reference are:

- **Reduce** the per project approval threshold for administration from \$15 million to \$12 million with Council approval required for projects over \$12 million in order to enhance Council oversight and better distribute risk.
- **Maintain** the grant-based incentive model tied to per square footage of office space removed.
- **Add** a new criteria for *Impact* in the Comprehensive Application Review that includes increased weighting for applications that include affordable housing or innovative commercial uses that would retain a property's Non-Residential assessment class.
- **Maintain** the *Multi-Residential* incentive rate at \$75 per square foot, recognizing that its real value today has declined from \$75 to \$63 per square foot since 2022 when the Program launched due to inflation as well as considering that construction costs have increased considerably.
- **Increase** the *Hotel* incentive rate from \$60 to \$75 per square foot to encourage more hotel conversion projects recognizing their stronger assessed value and tax payback.
- **Introduce** a new *Other Uses* category to Section 3.2 Eligible Conversion Uses and Incentive Rates to support a broader diversity of non-residential conversions, such as seniors living, educational, and institutional uses. This category allows for competitive incentive rates up to \$75 per square foot, supporting innovation, reducing the overall blended incentive rate of the Program, and encouraging projects that align with Council priorities.
- **Improve** program efficiency and transparency by improving processes within the Program's Terms of Reference and changing the Program name to "Downtown Office Conversion Program"

## Downtown Office Conversion Program - Review of Terms of Reference and Program Enhancements

---

The Motion Arising also asked Administration to include a base rate of return threshold that the City is expected to generate after conversion, which is not being recommended for implementation. However, this direction informed the addition of the new impact section in the Comprehensive Application Review.

Taken together, the recommendations in this report are intended to preserve what is working, address specific areas of refinement, and maintain momentum. For a summary of the detailed analysis, including the recommended refinements and a link to the full report, see Attachment 3.

The Program delivers permanent market correction by enabling the removal of surplus office inventory, while its targeted and disciplined application ensures the intervention does not operate in perpetuity. The Program is expected to continue until its 2031 target of six million square feet of downtown office space removed is met. Maintaining momentum through this critical time in the office market remains essential to achieving the scale of inventory removal required for lasting downtown recovery and long-term economic resilience for Calgary as a whole.

The changes strengthen fiscal discipline by refining incentive calculation, maintaining a clear link between funding and measurable outcomes, and continuing to leverage private investment to support long term tax base stabilization.

### EXTERNAL ENGAGEMENT AND COMMUNICATION

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

Administration was directed through the Motion Arising to collaborate with RESAC of Calgary Economic Development to review the Terms of Reference for the Program. Over the past three months Administration and RESAC have worked closely to develop the refinements to the Terms of Reference. RESAC, which played a key role in the original design of the Program, remains supportive of its core structure and confirmed that the recommended refinements are evidence-based and responsive to current market conditions. For letters of support from the industry, see Attachment 4.

### IMPLICATIONS

#### Social

The Program supports downtown vibrancy and safety by increasing the presence of everyday residential and tourism activity strengthening perceptions of safety. It also supports a more accessible and inclusive downtown by including a broader range of unit types and price points, which supports affordability and choice through increased supply and improved access to housing in a fully serviced, transit-rich area.

#### Environmental

## **Downtown Office Conversion Program - Review of Terms of Reference and Program Enhancements**

---

By reusing existing buildings, the Program lowers the carbon emissions from making and transporting new building materials, supports energy-efficiency upgrades, and helps buildings stay useful and ready for a changing climate—reducing the need to demolish and rebuild. Conversion projects have a reduced impact on landfills through the re-use of existing materials.

### **Economic**

The Program strengthens downtown as a place to invest, work, visit, and live by stabilizing the tax base, leveraging private sector investment, and accelerating the transition of underperforming office space into productive uses that support business attraction, talent retention, and long-term economic competitiveness.

### **Service and Financial Implications**

#### **No anticipated financial impact**

The recommended refinements can be implemented within the existing program structure and Council-approved funding and do not introduce new service delivery requirements.

### **RISK**

The primary risks are that material changes to the Program may impact project specific viability and that it could slow or stall conversion activity before market stabilization is achieved. This would prolong elevated downtown office vacancy, weaken confidence, and reduce the effectiveness of complementary City investments, while extending the period of tax base erosion and citywide fiscal exposure. Administration is confident that the proposed changes to the Terms of Reference adequately mitigate these risks.

### **ATTACHMENT(S)**

1. Background and Previous Council Direction
2. Downtown Office Conversion Program Terms of Reference
3. Summary of Supporting Analysis
4. Downtown Office Conversion Program - Letters of Support
5. Presentation

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Debra Hamilton	Planning & Development Services	Approve
Edwin Lee	Assessment & Tax	Consult
Stuart Dalgleish	Chief Operating Office	Inform