



Downtown Office Conversion Program – Review of Terms of Reference and Program Enhancement

EC2026-0169
2026, May, 05

Previous Council Direction

That with respect to Report **C2025-0901**, the following Motion Arising be adopted:

That Council direct 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** with recommendations to:

1. Review the maximum eligible funding limit per project;
2. Examine alternative methods of delivering incentives to encourage conversions beyond per square footage incentives;
3. Include a base rate of return threshold that the City is expected to generate after conversion based on incremental property taxes divided by amount of grant for each project; and
4. Explore creation of the option for a competitive process for applicants to propose a rate per square foot specific to their conversion project up to a maximum of \$60 per square foot for residential conversions and up to \$75 per square foot for non-residential conversions.

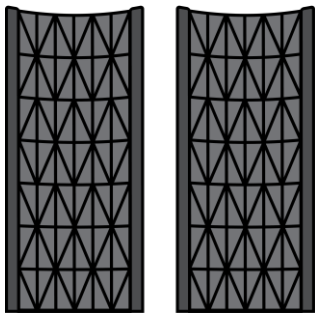
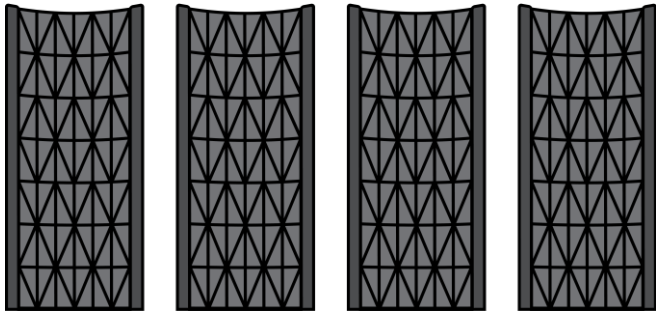


Recommendation

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.

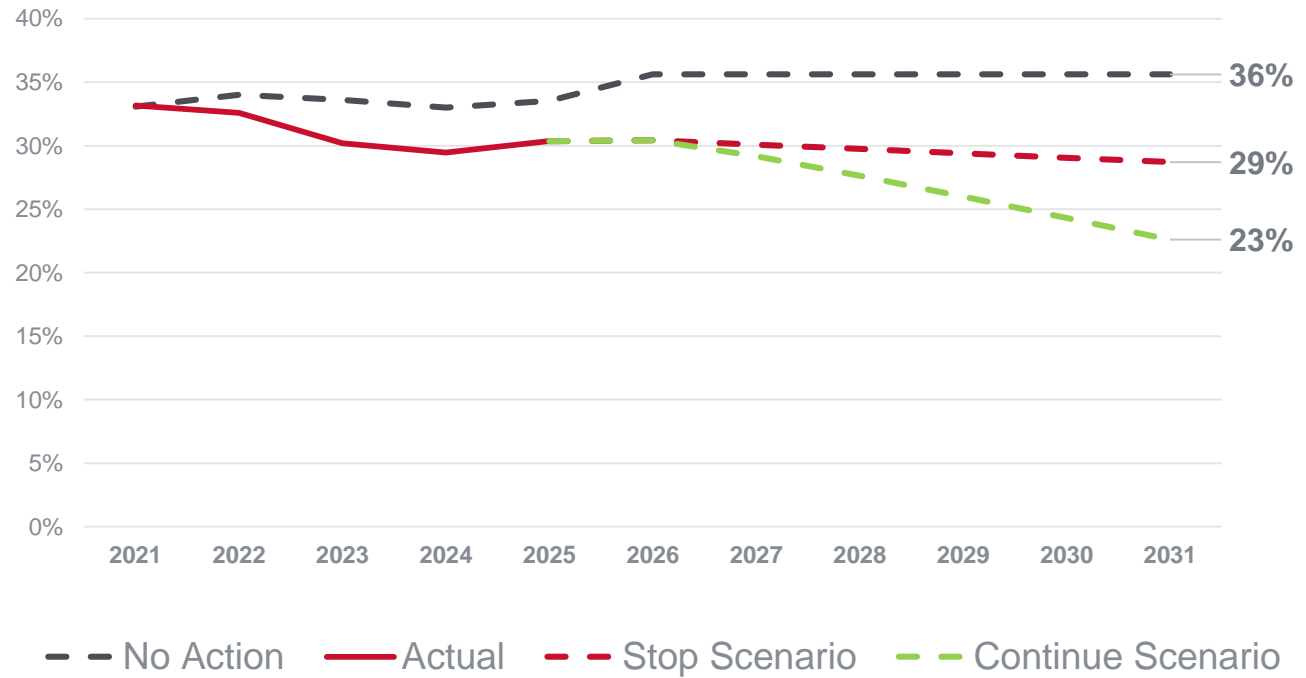


Calgary's Unique Challenge



12M Sq. ft.
Sits empty — six Bow Towers with their lights off

Downtown Office Vacancy

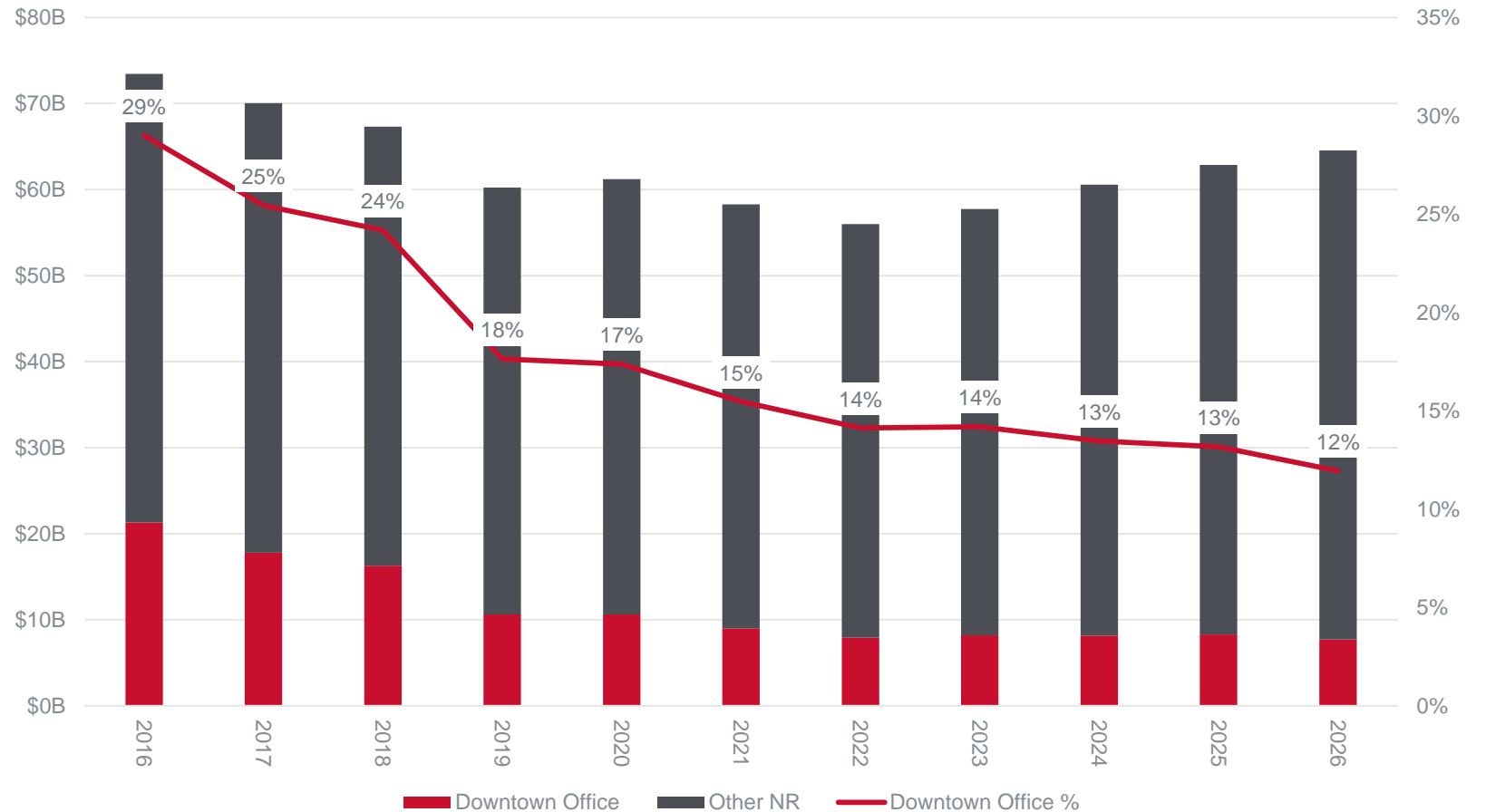




Financial Impact:

- Downtown office values fell over **\$16B** (60%) since 2015
- Property taxes redistributed citywide across all non-residential properties
- *Phased Tax Program* (PTP) initiated to reduce effect on ratepayers
\$212M spent from FSR 2017-2021

Downtown Office Proportion of Non-Residential Base





Demonstrated Impact



 **21**
Project approved

 **2.68M** sq.ft.
Office removed

 **4,000+**
Residents expected

 **4:1**
Private investment

 **Safety**

 **Vibrancy**

 **\$14M+**
Downtown Office +
Conversion
Tax Uplift

 **7:1**
Economic impact



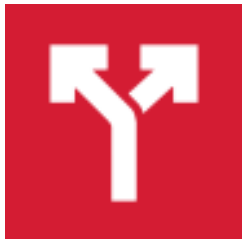
Response to Motion Arising

Suggested Review	What we Learned
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Maximum funding per project by Administration

- Larger projects account for the most removed office and have a greater effect on vacancy.
- Very few projects would result in an incentive amount between \$12M and the current \$15M administration maximum.



Alternative incentive structures

- Per-square-foot remains the most equitable and transparent way of allocating incentive funds
- Incentive structures analyzed:

Tax Abatement
Tax Deferrals
Loans
Grant-Style

Response to Motion Arising

Suggested Review

What we Learned



Minimum rate
of return
threshold

- Property tax outcomes highly unpredictable between projects of similar uses at time of application
- Hotel and non-residential conversions can deliver stronger tax uplift
- Indirect returns through office market improvement are difficult to attribute to individual projects



Optimal
Incentive
Rates

- Construction costs have increased
- Inflation has reduced the real value of **\$75** in 2021 to be worth less than **\$63** in 2026
- Projects do not result in significant windfall for developers at current incentive rates. Conversions are expected to be held long-term after completion.



Recommended Terms of Reference Changes



Funding threshold

Reduce approval threshold for Administration to **\$12M** - Council approval still required above threshold



Incentive model

Maintain **per-square-foot grant structure**



Reaffirmed priorities

Scoring should be enhanced to include an “Impact” category



Competitive flexibility

Maintain the current residential rate of \$75 per square foot, increase the hotel rate to \$75 per square foot

Create an “Other Uses” category to support additional uses with competitive bids up to \$75 per square foot



Program clarity

Name change to *Downtown Office Conversion Program* and Terms of Reference improvements



Recommendation

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