

Update on the Centre City Enterprise Area

EXECUTIVE SUMMARY

Since the economic downturn began in 2014, our Centre City has experienced high vacancy rates in both the office and retail sectors. The Centre City Enterprise Area (CCEA) was instituted in July of 2017 to make it easier for tenants and new businesses to set up operations and for building owners to make improvements to their buildings to accommodate and attract new tenants. Despite positive economic indicators, the Centre City continues to struggle with persistent high office vacancy rates and increased retail vacancy rates.

Administration has been monitoring the impact of the CCEA and has found that it is having a measurable impact and has allowed applicants to save approximately 2,023 days in application processing time. A number of specific matters have been flagged for continued investigation including impacts of not requiring servicing assessments, impacts of heritage buildings not being part of the change of use development permit exemption and general retail business location trends.

A detailed communication plan has been prepared for the CCEA that embeds the initiative in the overall Invest in Calgary web portal. The plan is now being actioned through print advertising, paid advertorials, social media channels and proactive media relations. The main short-term objective of the communication plan is to inform the target audience about the website and to advise existing and potential businesses how our processes work, including within the CCEA and how to ensure their project's success.

ADMINISTRATION RECOMMENDATION:

That the SPC on Planning & Urban Development recommends that Council:

1. Receive this report for information; and
2. That this item be forwarded to the 2018 July 23 Regular Public Hearing Meeting of Council, without going through Calgary Planning Commission, an amendment to Land Use Bylaw 1P2007 as proposed in Attachment 3 of this report.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2017, June 12, Council, Moved by Councillor Woolley, Seconded by Councillor Carra, adopted Bylaw 30P2017, an amendment to Land Use Bylaw 1P2007 that established the Centre City Enterprise Area. The amendment suspended the requirement for development permits for changes of use, exterior alterations and small additions for a period of three years within a specific area of the Centre City experiencing high vacancy rates due to the economic downturn.

On 2017, March 20, Council approved PUD2017-0142 as follows:

ADOPT, Moved by Councillor Chabot, Seconded by Councillor Woolley, that the SPC on Planning and Urban Development Recommendation contained in Report PUD2017-0142 be adopted as follows:

That Council direct Administration to bring forward directly to the 2017 June Public Hearing, without going through Calgary Planning Commission, the necessary amendments to Land Use Bylaw 1P2007 to implement the changes to the development permit process for the Centre City

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as identified in this Report. For the purposes of these amendments, Centre City is defined as the area outlined on the map in Attachment 2.

On 2016 November 21, Council approved the package of Mid-Cycle Budget Adjustments as follows:

ADOPT, AS AMENDED, Moved by Councillor Sutherland, Seconded by Councillor Pootmans, that Administration Recommendations contained in Report C2016-0863, be adopted, as follows, **and as amended in Attachment 7**, subject to further amendments adopted by Council at this meeting:

1. Approve the proposed Mid-cycle Adjustments in Attachment 1, as follows (excerpt from full recommendation);
 - The Operating Budget Adjustment for Funding Requests, contained on Pages 32 to 65.

Page 42:

<u>Program-Business Unit</u>	<u>Source</u>	<u>2017</u>
651 Urban Strategy	Fiscal Stability Reserve	\$50K

Page 44:

<u>Program-Business Unit</u>	<u>Source</u>	<u>2017</u>
651 Urban Strategy	Fiscal Stability Reserve	\$50K

Page 46:

<u>Program-Business Unit</u>	<u>Source</u>	<u>2017</u>
651 Urban Strategy	Fiscal Stability Reserve	\$50K

These 3 initiatives were proposed through the Mid-Cycle Budget Adjustment Process and are named: Small Business Tactical Support Team, Centre City Enterprise District and Pop-Up Retail Program.

BACKGROUND

Since the economic downturn began in Calgary in 2014, our Centre City has experienced high vacancy rates in both the office and retail sectors. The Centre City Enterprise Area (CCEA) was instituted to make it easier for tenants and new businesses to set up operations and for building owners to make improvements to their buildings to accommodate and attract new tenants. When the CCEA was adopted, Administration committed to providing updates to Council on the results and impacts on a regular basis. This report fulfills that commitment for the first year of implementation. Aspects of the Small Business Tactical Support Team are being implemented through various initiatives in Planning and Development and are being communicated through the Invest in Calgary web portal that is discussed later in this report. No further work or reporting on the Pop-Up Retail Program is expected in 2018 but is being investigated on an opportunity basis through private sector proposals.

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INVESTIGATION: ALTERNATIVES AND ANALYSIS

Despite positive economic indicators, the Centre City continues to struggle with persistent high office vacancy rates (25.6% as of 2018 April, according to Barclay Street Real Estate). Retail vacancy rates have increased from 9.7% in December 2017 to 10.7% as of 2018 April (Barclay Street Real Estate). However, even more concerning is that building owners continue to disguise the extent of the retail vacancy issue by offering significantly reduced rents and short-term leases to retain tenants and fill vacant spaces. While some of this is attributable to the rapid changes in the overall retail sector, the extent of the challenge is magnified in Calgary's downtown.

The CCEA has had a measurable impact on enabling new business to locate in the Centre City and to get to operations in a timely fashion. In total, 49 Tenancy Changes and 55 Building Permits that would have required a development permit have been able to proceed without the requirement for a development permit. This equates to an approximate processing time saving of 2,023 days. The benefits to business from this time saving are:

- time to operations and revenue is reduced
- savings of time and money expended on City permit processes allowing more to be spent on their own business needs
- increased certainty of outcome and timelines resulting in reduced business risk

A more detailed breakdown of permit types and numbers is included as Attachment 1. It is difficult to predict the time an application would have taken, especially for a discretionary use because of the many variables involved in a particularly situation. The intent of these numbers is to give a sense of the order of magnitude of time saving based on the experience of staff involved in this work. One way to look at the impact of this time saving is that it equates to an equivalent of 5 years of additional business operation in spaces that would otherwise be vacant.

Administration has continued to monitor the implementation of the program both with internal and external stakeholders and the following matters have been flagged for continued investigation and consideration.

Servicing Assessments

Most change of use applications involve smaller retail spaces with minimal impacts on servicing requirements. Some concern has been raised that when a major change occurs like conversion from office to residential, there can be measurable impacts. Without a development permit, The City cannot require a servicing impact assessment be conducted prior to approval or release of a development permit. Administration is investigating alternate ways to ensure that servicing capacity can be reviewed to ensure adequate capacity for development in the area. Since the total number of buildings being considered for conversion to residential is still small, no change to the exemption is being proposed at this time.

Change of Use Permits for Heritage Buildings

When the CCEA was approved, Council removed buildings on the Inventory of Evaluated Historic Resources from being eligible for a development permit exemption for a change of use with no exterior alterations. The concern was that building interiors can be a significant

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component of a building's heritage value and therefore a development permit would allow for greater oversight and ability to preserve heritage elements.

Since that time, there have been 18 instances where a development permit was required for a change of use in a heritage building. In these cases, there were no significant changes proposed to the heritage features of the buildings. Heritage planners do have the ability to engage with applicants/owners at the building permit stage and sites that are legally protected (by either or both levels of government) are required to engage with the heritage approving authority regardless of what kind of permit a project may need. Administration is confident that heritage design considerations can be addressed adequately through the building permit process. Heritage Planning is supportive of development permit exemptions for changes of use when changes to the building are internal only. A letter of support from the Calgary Heritage Authority has also been submitted and is included as Attachment 2. Exterior alterations and changes to a site plan will still be subject to a development permit. Facilitating the continued use of historic buildings is important to incentivize their retention. Removing potential application barriers such as internal changes of use will help achieve that goal.

A draft of a proposed bylaw amendment to make this change can be found in Attachment 3. Administration is requesting that Council direct that this amendment be brought forward directly to the next available Public Hearing without going through Calgary Planning Commission. This is the same approach followed with the original amendments.

Business Location Trends

Centre City retail is undergoing an evolution as building owners and tenants adjust to a significantly reduced market that has resulted from the job losses and cuts in corporate spending, especially in the hospitality and hosting sector. Tenants are drawn to the highest areas of foot traffic such as 17 Avenue, Stephen Avenue and the busiest +15 connections. As these changes occur, it is expected to see vacancies appear in the less travelled parts of the Centre City. Allowing building owners to pursue a wider variety of tenants and to make changes to their buildings to accommodate different tenants will help ease some the strain that they are experiencing.

Administration will continue to work with Calgary Economic Development to engage the real estate market to stay on top of the trends and issues that are occurring in the Centre City. The retail brokerage community has been particularly helpful in providing insights and advice on what is happening and providing ideas to address these challenges. The establishment of an ongoing forum to share information and trends between The City and the brokerage community is being discussed.

Communication

Administration has completed a detailed communication plan that is currently being actioned. The major tactic employed to date has been to consolidate information about the CCEA on the City's new Invest in Calgary portal on the Planning and Development pages of calgary.ca (www.calgary.ca/invest). This new portal consolidates many of the City's initiatives to make it easier for potential applicants to learn about opening a new business or developing in Calgary. With this now in place, broader communication through social media and other channels can be undertaken to get the information out to the right target groups and ensuring consistency of information and connectivity to other relevant City initiatives and processes.

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Communications, in support of the Invest in Calgary web portal (and the Centre City Enterprise Area by association), is focused on using the City's:

- paid media channels
 - print advertising in Business in Calgary and Business Edge magazines
 - paid advertorials on Calgary Herald/Postmedia websites
 - Banner advertising on targeted business and news-focused websites (English, Chinese, Punjabi)
 - LinkedIn promotion and search engine optimization
- unpaid social media channels
 - promotion through the City of Calgary's Facebook and Twitter accounts
- proactive media relations
 - Targeted proposals to business journalists in Calgary at the Calgary Herald and Calgary Business

Project communications will be in market in May and June and then September and October to best reach our target audiences and has a budget of \$55,000, to be funded from Council's allocation from the Fiscal Stability Reserve for the package of Mid-Cycle Adjustments approved in 2016 November.

Currently there are approximately 40 initiatives that support a business life-cycle - from conception to sustainment – that would attract and support business investment in Calgary. The Invest in Calgary web portal and Centre City Enterprise Area are two of these initiatives that promote accessibility and transparency of information for the business community. While Administration has a plan that outlines proposed promotional efforts for this information, there is awareness that a broader effort is in place and this is just one part of an overall effort. Communications will be working collaboratively across the corporation to make sure that Invest in Calgary (and by extension the Centre City Enterprise Area) and promotional efforts align with this corporate strategy.

Next Steps

Administration is seeking Council direction to initiate the bylaw changes necessary to implement the actions identified in this report. It is anticipated the amendment could be brought forward to the July Public Hearing.

Stakeholder Engagement, Research and Communication

No formal engagement was carried out for this report however, Administration continues to meet regularly with industry players and will continue to meet with major stakeholders such as Calgary Economic Development, area Business Improvement Areas and building owners. More formal engagement will be carried out over the next year of the pilot as more data and experiences will be available to have a more meaningful conversation regarding the effectiveness and impacts of the CCEA.

Strategic Alignment

The Centre City Enterprise Area pilot continues to be aligned with other strategic business-friendly initiatives being implemented by Planning and Development. Further, ongoing coordination with Calgary Economic Development will ensure the CCEA will be aligned with the upcoming Economic Strategy for Calgary.

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Social, Environmental, Economic (External)

This report is a direct outcome of the Action Plan Mid-Cycle Adjustments that had a focus on addressing the impacts of the economy on the community. The Centre City has been one of the hardest hit areas in terms of employment loss and vacancies. There are also significant social impacts on business and employees of those businesses relative to job loss and financial hardship. The intent of the CCEA is to enable business start-ups and create new jobs to replace those lost as a result of the downturn.

Financial Capacity

Current and Future Operating Budget:

Council approved \$50,000 for each of the two Mid-Cycle Adjustment Initiatives known as Centre City Enterprise District and Small Business Tactical Support Team. This \$100,000 is being used to fund implementation and communication actions related to the Invest in Calgary web portal and the Centre City Enterprise Area.

Current and Future Capital Budget:

There are no capital budget implications as a result of this report.

Risk Assessment

The risk of proceeding with the Land Use Bylaw amendment to include heritage buildings in the development permit exemption of the CCEA for change of use only (not including exterior alterations) is that some interior renovations may compromise heritage features of a building. This will be mitigated by heritage planners reviewing all building permits made for buildings on the Inventory of Evaluated Historic Resources.

REASON(S) FOR RECOMMENDATION(S):

Administration is making the recommendation to include heritage buildings in the development permit exemption to ensure they can attract the widest possible range of tenants to ensure their ongoing use and economic viability. The Calgary Heritage Authority is in support of the amendment.

ATTACHMENT(S)

1. Attachment 1 - Summary of Permit Types and Process Time Saving
2. Attachment 2 - Letter from Calgary Heritage Authority
3. Attachment 3 - Proposed Land Use Bylaw Amendment Wording