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Nose Creek Motion Arising (C2018-0900 on the New Community Growth Strategy)

Executive Summary - March 5, 2019

Calgary Economic Development (CED) and Industry stakeholders, including an ad hoc group from the Real Estate Sector Advisory Committee, were requested to address the Motion Arising from Council with respect to Report C2018-0900 on the New Community Growth Strategy. Specifically, items 2-4 of the motion were considered:

2. Identify opportunity to draw targeted and prospective investors according to CED's ongoing economic diversification work;
3. Evaluate ability to retain urban uses within the City's boundaries to stabilize the commercial tax base;
4. Evaluate ability to prevent neighbouring municipalities from poaching investment opportunities from Calgary.

This summary is provided to Calgary Council for information.

Investment Attraction

Calgary Economic Development is focused on helping locally based companies grow while also attracting new companies and investment to the city. CED's activities are guided by the Economic Strategy for Calgary called "Calgary in the New Economy" approved by City Council on 2018 June 25 (PFC2018-0668). Built on the foundational pillars of Talent, Place, Innovation and Business Environment, it outlines the economic priorities for our city and the industry sectors that differentiate our competitive strengths. The key sectors identified in the strategy include transportation and logistics, agribusiness, energy, life sciences and health, financial services, tourism and creative industries.

To achieve the economic development goals outlined in the Economic Strategy, we support companies, such as developers, in their efforts to target and attract investments best aligned with their projects. As such, Item #2 of the Motion Arising requested the following:

Identify opportunity to draw targeted and prospective investors according to CED's ongoing economic diversification work.

According to the Nose Creek Business case, as proposed by QuadReal Property Group (QuadReal), approximately 65% of the development is devoted to employment uses including business/office, medical, educational, commercial/retail, light industrial, and live-work uses. (Source: Nose Creek Lands Summary of Key Aspects Supporting the Business Case). CED is able to work with QuadReal to identify and attract company targets via:

- Further evaluation and identification of company prospects from the life sciences and health sector, including companies that may emerge from the University of Calgary's newly announced Life Sciences Innovation Hub or from other health sector opportunities emerging in North Calgary.

- Identification of industrial company prospects in the sectors of agribusiness and agri-tech, transportation, e-commerce distribution centers, and advanced manufacturing facilities. Companies in these sectors include those that employ automation, robotics, geospatial and data analysis, autonomous vehicles and other new technologies which require a combination of highly skilled technology jobs as well as new collar, or vocationally trained, technology jobs.
- Businesses that supports sustainable development with a focus on healthy and active lifestyles.

Economic Competitiveness

Over two working sessions, Industry stakeholders discussed the broader issues of retaining urban uses within the City of Calgary boundaries to both stabilize the commercial tax base and to secure new investment. The main areas of discussion from the sessions are attached for reference, including key comments and proposed solutions from Industry attendees. The Industry Group did not comment directly on the Nose Creek business case.

Industry discussion around the Motion Arising Items #3 and #4 were fulsome and balanced. Recurring themes arose regarding:

- the importance of the industrial land sector to the economy to generate tax revenue for The City;
- the need for increased promotion of the industrial sector to reinforce Calgary's value proposition related to amenities, transit and talent and to attract new investment;
- the availability of industrial land to capitalize on new investment opportunities;
- the need for innovative financing tools to enable growth and minimize risk; and,
- the need to review policies and regulations that may not work in the current economic climate.

These points were balanced against the acknowledgement that new process improvements have been implemented by The City and have shown early results. It was also addressed that industry and CED have been successful in attracting new investment during the economic downturn. Concurrently, new initiatives are underway that will activate on the issues raised by Industry. There is an ongoing opportunity for all parties to work collaboratively to grow our economic base via the following: Industrial Growth Strategy; Identification of Funding and Financing Tools; Off-site Levy Bylaw Review, and Continuous Process Improvements.

Next Steps

Over the course of 2019 and beyond, Industry, CED and The City will continue to collaborate on ways to grow the economic base for Calgary and address any impediments to generating increased employment opportunities, attracting investment and supporting the diversification of our economy.

Industry Commentary on Motion Arising Items #3 and #4

Motion Arising Item #3:

Evaluate ability to retain urban uses within the City's boundaries to stabilize the commercial tax base

The group discussions focused on the following items:

- The City of Calgary's recent process improvements have been effective in supporting business growth. A continuation of this approach will yield additional benefit to the city's competitiveness by ensuring companies can become operational and profitable faster.
- In addition, The City could provide flexibility on land use to meet market demand, allowing developers to shift to uses that respond best to changing economic factors.
- It was suggested that Development and Servicing Agreements, and Development and Building Permits, should be reviewed and approved by The City in parallel, thus shortening the path for commercial development to occur.
- Industry projects submitted for approval must address ROI against economic development benefits to ensure that the communities add economic growth, not just additional costs to City Administration's budget. Approving the proposed communities brought forward under the New Community Growth Strategy allows normal market factors to apply and removes any perspectives that the City is influencing those factors.
- The Industry group suggested The City and developers could work together to address the risks associated with balancing revenue generated from development with the costs incurred by the City. With respect to capital costs, industry representatives have put forward ideas around catchment-based infrastructure costs and front-ending agreements with innovative payback terms. These ideas and others can be explored through the next Off-site Levy Bylaw Review in 2020/2021.
- There was significant discussion regarding the City's efforts to balance growth against its obligation to fund it. Specifically, the removal of the Growth Management Overlay for a community requires The City to fund infrastructure and service costs regardless of when the community will develop. The planned timing of actual development of approved communities could help inform when infrastructure costs will occur.

Industry proposed solutions to be explored through consultation:

1. Increase the flexibility of land use for non-residential parcels to maximize opportunities that align with market demand and continue supporting process improvements that enable growth;
2. Sequence approvals to better align with developer/market timing, such that strategic growth and funding decisions run concurrently with planning approvals; and,
3. Evaluate financing tools (including but not limited to front-ending infrastructure) that could allow a developer to address required infrastructure and services if a proposed community is not approved by Council through strategic growth and funding decisions.

Motion Arising Item #4:

Evaluate ability to prevent neighbouring municipalities from poaching investment opportunities from Calgary

The group discussions focused on the following items:

- Reinforce and promote Calgary's amenities as a selling feature for generating investment attraction and company growth. This includes proximity to workforce, transit routes to industrial areas, and proximity of retail amenities for workers. These features amplify the advantages for companies of locating in a city environment and shifts the conversation from focusing on cost to focusing on value.
- It was recognized that companies will choose the land product offering that best meets their needs. It will be important to differentiate why new or expanding businesses choose regional municipalities versus Calgary. New innovations and technologies in industrial sectors may shift or disrupt this trend in favour of Calgary but will not eliminate it entirely.
- Identify how the Opportunity Calgary Investment Fund (OCIF) could be used to spur increased diversification in key sectors to attract companies to industrial areas.
- Promote the value of the industrial sector to Calgarians. The City's website currently outlines the value, land use and opportunities of a strong industrial sector. The City's Goods Movement Strategy, the Industrial Strategy Working Group, CED's Transportation and Logistics sector work, and Industry all speak to the fact that industrial development supports increased tax revenue generation.
- Industry questioned the need for The City to hold such a large industrial land portfolio. Further discussion focused on the perceived inflationary effects of this approach on the market price per acre of all industrial land across the city.
- It is important to fully understand policies, regulations and standards for developments in both Calgary and the region to effectively compare them. This includes servicing, transportation, infrastructure, police and fire required on day one versus at full build out of a community.
- The Calgary Metropolitan Region Board addresses jurisdictional planning issues in the region. This should help avoid planning approvals that benefit one jurisdiction at the expense of another.
- Intermunicipal levies have been identified as a tool that would allow The City to recover the costs of infrastructure that benefits both Calgary and the region. Levies addressing highway connections and other intermunicipal infrastructure have been a topic of recent discussions involving the Province, municipalities, and industry stakeholders. However, much remains to be determined with these levies, including the calculation methods and processes for involving multiple municipalities. As more information becomes known, The City plans to engage with stakeholders to find the best methods or solutions.

Industry proposed solutions to be explored through consultation:

1. Promote to citizens the importance of the industrial sector to our economy and the diversification of our sectors.
2. Initiate discussions regarding The City's strategy around industrial land management. Explore alternate approaches around the disposition of industrial land to the private sector to accelerate economic diversification opportunities.
3. Continual engagement with Industry to determine strategies that address Industry concerns regarding Calgary competitiveness. (i.e. the Offsite Levy Bylaw Review, sessions evaluating funding and financing tools, etc.).