

Select a department Report to
Priorities and Finance Committee
2019 July 02

ISC: UNRESTRICTED
PFC2019-0664

Downtown Strategy and Focus Update

EXECUTIVE SUMMARY

Downtown is Calgary's community. It is a key economic driver and employment centre. The Downtown Strategy and Focus is a top priority for The City of Calgary. On 2019 April 01, Council endorsed the direction of the Downtown Strategy and directed Administration to report back to the Priorities and Finance Committee in 2019 July and October. This report and the presentation provides an update on the Downtown Strategy.

Downtown is core to our city's vibrancy and economic resilience. Downtown is the economic and cultural heart of Calgary. When the downtown thrives, so does the rest of the city. The City of Calgary (The City) and its partners Calgary Economic Development (CED) and the Calgary Municipal Land Corporation (CMLC) are collectively focused on working together to help ensure downtown's ongoing success now and into the future. The current economic situation is expected to take several years to recover, requiring intentional management of a longer-term view, with near-term actions. The Downtown Strategy team will focus, align, and elevate the awareness of a coordinated strategy that leverages the collective efforts of The City and its public and private sector partners to respond to the prolonged economic challenges, and capitalize on opportunities that will create jobs, drive economic recovery, and revitalize the downtown.

ADMINISTRATION RECOMMENDATION:

That the Priorities and Finance Committee recommends that Council direct Administration to continue implementing the Downtown Strategy, as identified through this report.

PREVIOUS COUNCIL DIRECTION / POLICY

At the 2019 April 01 Strategic Council Meeting, Council approved the following recommendations:

1. Endorse the direction as presented (C2019-0415-Downtown Strategy and Focus);
2. Direct Administration to provide an update on the further development of a Downtown Strategy to the Priorities and Finance Committee in 2019 July and October; and,
3. For the July Priorities and Finance Committee, Administration further refine the Downtown Strategy to include: heritage, safety, and competitive research.

On the 2017 June 19 Strategic Council Meeting, Council approved the recommendation to receive C2017-0344 Report Back on the Downtown Economic Summit for information.

On 2017 January 23, Moved by Councillor Farrell, Seconded by Councillor Woolley, Council approved Notice of Motion NM2017-01, "Downtown Calgary and Economic Uncertainty: A Coordinated Response," directed Administration to work with Calgary Economic Development to organize a Downtown Economic Summit to identify emerging trends and opportunities to ensure The City uses its capacity to best position resources for the future.

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BACKGROUND

Geopolitical circumstances and global commodity prices have had a major impact on the energy industry and consequently on many businesses and citizens in Calgary. Calgary's downtown is an economic driver and employment centre, historically generating 40 per cent of non-residential tax revenue and 25 per cent of city-wide employment.

The decline in oil prices, which started in early 2014, contributed to a five year decline in the demand for downtown office space. Gradually stabilizing and modestly rising oil prices has helped Calgary pull out of recession. However, the fact is the oil and gas industry has structurally and fundamentally changed. The business needs of companies have changed due to changes in the economy, lowering demand for downtown office space and creating a high downtown office vacancy rate.

Special Report: Conference Board of Canada – Calgary's Downtown Office Market Outlook and Impact, 2017

In 2017, the Conference Board of Canada (CBOC) was commissioned by CED to conduct a medium-and long-term forecast of Calgary's downtown office market, including its assessed and total tax values, in an effort to help shape strategies and solutions to address challenges posed by the high office vacancy rate. The research indicates that a near-term recovery for the downtown office market is unlikely. The combination of high vacancy rates and imminent office building completions suggests that it will take about a decade for the available space to be absorbed. Over the medium- and long-term, Calgary's economy is expected to post moderate growth as oil prices continue their gradual ascent. Rising employment will help fill the available office space in the downtown core. The vacancy rate is projected to drop below 20 per cent after 2023 and into single digits after 2032. Property assessments on these buildings also declined, which has consequences for The City's other taxpayers, and City finances. From 2016 to 2018, CBOC forecasted that \$7.5 billion will have been wiped out from the assessed value of the downtown office market.

As of 2018, the decline in property values of downtown office buildings was approximately \$14 billion.

The Canadian Urban Institute: Value of Investing in Canadian Downtowns, October 2013

"The study collected data from 17 cities across Canada, to illustrate the importance of investing in downtowns. The study documented the major contribution downtowns are making to the economic health of their respective cities, now and into the future. The downtowns featured in the report often take up as little as one percent of city-wide land area, but attract 10 or 20 times that in terms of contributing to The City's assessment base and generating property tax revenues. All of the downtowns featured in the report are making major contributions to their city's bottom line and economic prosperity. In most cases, downtowns serve as the engine for local economies and also represent the image and character of a city to the rest of the world. Downtowns are unique in that they are typically the only neighborhood that belongs to and is shared by everyone in the region. In today's global economy with competition between municipalities for jobs and talent, it is critical that cities have a shared vision centered on a redevelopment plan for their downtown." (Sources: Canadian Urban Institute; and Andy Kisinger, AIA, AICP)

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Strategic Council Meeting on 2019 April 01

In 2019 March, Council requested Administration to schedule the Downtown Strategy and Focus as a priority topic at the 2019 April 01 Strategic Council Meeting. The City, CED, and CMLC worked closely together to develop the Downtown Strategy and Focus presentation at the Strategic Council Meeting on 2019 April 01.

On 2019 April 01, Council endorsed the direction of the Downtown Strategy as presented by The City, CED, and CMLC. The four focus areas of the Downtown Strategy are: Place, Work, Live and Connect. The common and summary strategies are: support and incentivize private investments in businesses and buildings; invest in physical infrastructure that complements private investment; invest in and align programming that generates new visits and spending; attract new and expand existing businesses that fit the strategy; provide amenities and services to enhance the quality of life for people living downtown; and engage, communicate and market.

Calgary's downtown is a great place to live, work and play. Downtown is the hub for culture, arts, sports, entertainment, events and a big tourism driver attracting residents, visitors and business travelers. The opportunities to leverage on these strengths are even more heightened now.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Update: 2019 July

This report provides an update on the work underway since 2019 April 01, including following through on Council direction. The work can be organized into the following areas and will be summarized in detailed in the presentation to PFC.

1. Follow-Up Directed by Council on Specific Elements

a) Competitive Research

- The team looked at competitive research for best practices, ideas, and strategies used in other jurisdictions in North America including but not limited to: Austin, Denver, Detroit, Houston, Pittsburgh, Sacramento, and London, Ontario.
- The team reviewed the Municipal Benchmarking Network Canada data for relevant downtown metrics. The metrics are city-wide and not downtown specific.
- Cities such as Denver, Pittsburgh, Sacramento, and London, Ontario prepare annual reports on the State of the Downtown.
- Calgary's Downtown Strategy is aligned with best practices, strategies, ideas, and reporting utilized in other cities.

b) Safety

- Safety has been included in the Place focus area: Align safety resources for optimal benefit.
- In 2019 May to June, team members participated in downtown safety walking tours with the Calgary Police Service.
- CMLC works closely with the Calgary Police Service, The City, social agencies, businesses, and the community on public safety in East Village. Ideas and initiatives will be leveraged.

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- The Downtown Strategy team is working closely with Community Services on safety considerations. An implementation plan has been developed and actions are currently underway to enhance community safety in the area around the supervised consumption services at the Sheldon M. Chumir Health Centre. The plan, in alignment with the Community Action on Mental Health and Addiction framework, details actions being implemented by The City, other orders of governments, non-profit organizations and community partners. The coordination of the actions will help improve the vibrancy of downtown.
- The perception of downtown safety and cleanliness will be measured and reported on the downtown scorecard.

c) Heritage

- Heritage has been included in the Place focus area: Work with Calgary Heritage Authority and Calgary Growth Strategies on downtown heritage priorities.

2. Further Development of Calgary's Downtown Strategy

a) Vision, beacon statement, and tagline.

- *Vision: A great place to make a living, a great place to make a life.*
- *Beacon Statement: Downtown is core to our city's vibrancy and economic resilience.*
- *Tagline: Downtown is Calgary's community.*

b) Time frames for work planning

The current economic situation is anticipated to require an extensive recovery period. This highlights the need for a long-term approach, coupled with nearer term strategies and actions, regular reporting, and the flexibility to course-correct when needed. In planning its work program, the downtown strategy's work program is being established with the following time frames for its actions, strategies, metrics and reporting, and outcomes.

- Short-term (1-3 years)
- Medium-term (~5 years)
- Long-term (~15 years)

c) Plans for each of the four focus areas

Significant effort has been put into establishing guidance and a work program, for each of the four focus areas. For each focus area, and for consistency, a common approach and format has been used. This includes determining and aligning outcomes, strategies, metrics and actions for each four focus area. Provided below are the outcomes and strategies for each focus area. Each focus area's metrics and actions will be highlighted and covered in the presentation to PFC.

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FOCUS AREA: PLACE
<p>Outcome Downtown is a central setting and built form that's desirable to current and future businesses, residents and visitors.</p>
<p>Strategies</p> <ul style="list-style-type: none"> • Support private investment. • Invest in physical Infrastructure. • Provide amenities/services. • Align safety resources for optimal benefit. • Work with Calgary Heritage Authority and Calgary Growth Strategies on downtown heritage priorities.
FOCUS AREA: WORK
<p>Outcome Downtown office spaces are re-energized with diverse and innovative businesses and jobs supporting the community's strategy, Calgary in the New Economy.</p>
<p>Strategies</p> <ul style="list-style-type: none"> • Grow existing and attract new companies that support high-potential innovative ecosystem and clusters. • Retain, retrain and recruit top talent to support Calgary in the New Economy.
Focus AREA: LIVE
<p>Outcome Downtown is an inclusive and vibrant neighbourhood; a destination for unique experiences for visitors and all Calgarians.</p>
<p>Strategies</p> <ul style="list-style-type: none"> • Provide programming and services to enhance visitor and resident experiences. • Identify and prioritize programming that increases visits locally and from afar.
Focus Area: CONNECT
<p>Outcome Our downtown is where people, goods, information and ideas connect.</p>
<p>Strategies</p> <ul style="list-style-type: none"> • Strengthen the resilience of our mobility, utility and digital networks. • Foster a future focused ecosystem that embraces disruptors and innovation.

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- d) Marketing and Communications
- CED will continue marketing efforts to position Calgary as the location of choice for the purpose of attracting business investment, fostering trade and growing Calgary's workforce.
 - The communications strategy is aimed at promoting general awareness of the Downtown Strategy; providing updates on activities and progress, and leveraging partnerships.
 - The communications approach will leverage resources from community partners including but not limited to CED, CMLC, Tourism Calgary, and external organizations (i.e. Downtown Calgary Association and others) for storytelling and marketing.
 - The Downtown Strategy will have a digital presence on Calgary.ca to draw connections to the work being done and to highlight the value and impact for citizens, businesses and the community.
 - In addition to formal reporting through PFC, the team will also provide ongoing and informal updates to Members of Council through emails and newsletters.

3. Team, Partners and Stakeholders

Since 2019 April 01, The City, CED, and CMLC have intentionally focused, aligned and prioritized existing resources with the relevant skills and experience to serve on the Downtown Strategy team. The leadership for the Downtown Strategy has been confirmed, and a current list of team members is provided in Attachment 1.

Sub-teams are being formed within each focus and support area. The team plans to be nimble and flexible to advance strategies, actions, and leverage ideas and opportunities.

The team will also work with external stakeholders and partners to leverage the strength of the network to maximize opportunities for success. These include but are not limited to: Civic Partners, post-secondary institutions, Downtown Calgary Association, Business Improvement Areas, Calgary Chamber of Commerce, the Financial Taskforce, and others.

In the coming months, the Downtown Strategy team will work on the continued implementation of the strategies and actions identified in this report and presentation, and will report back to Council through PFC in 2019 October.

Stakeholder Engagement, Research and Communication

The City and CED conduct research about the needs and changing priorities of Calgarians, gauging perceptions on quality of life, and the economy. The Downtown Strategy Team will review topics for further research and analysis as needed. The City will be conducting the bi-annual Centre City Perception Survey in 2019 Q3-Q4. The results of the survey will be presented to PFC.

To optimize efficiency and effectiveness, the Downtown Strategy will leverage existing stakeholder groups, networks and structures that are already in place to support various strategies and initiatives. For example, numerous businesses and community stakeholders (i.e. Calgary Chamber of Commerce, and Business Improvement Areas) were engaged in the development and implementation of Calgary in the New Economy: An economic strategy for

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Calgary and the Resilient Calgary strategy. Ongoing communications and updates on the Downtown Strategy will be provided to demonstrate leadership, collaboration, progress, and impact.

Strategic Alignment

The Downtown Strategy closely aligns with the following strategies and initiatives: One Calgary 2019-2022; Calgary in the New Economy: An economic strategy for Calgary; the Resilient Calgary strategy; imagineCALGARY; the Municipal Development Plan; the Route Ahead Plan; the Centre City Plan; the Green Line project; the Cultural Plan for Calgary; Foundations for Home: Calgary's Corporate Affordable Housing strategy; Enough for All poverty reduction strategy; the Mental Health and Addictions strategy; the Opportunity Calgary Investment Fund; Business Friendly & Local Economy; and the Financial Taskforce.

The Downtown Strategy also aligns with related Civic Partner strategies including: Tourism Calgary's Destination Strategy; Calgary Arts Development Authority's strategy- Living a Creative Life; the work on establishing a Convention/Arts/Olympic Plaza District, and CMLC's work in the East Village and the Rivers District.

Social, Environmental, Economic (External)

The social, environment and economic impacts are considered and reflected in the four focus areas of the Downtown Strategy: Place, Work, Live, and Connect.

Financial Capacity

Current and Future Operating Budget:

There are no impacts to current or future operating budgets as a result of this report. The City CED, and CMLC provide support to the Downtown Strategy by focusing, aligning and prioritizing existing resources and budget. There is no new budget allocated to the Downtown Strategy. The team will leverage existing budgets where possible. It is prudent to note that plans and actions may be limited by financial and resource capacity, and that pending budget reduction decisions could have an impact on the downtown strategy.

Current and Future Capital Budget:

There are no impacts to current or future capital budgets as a result of this report. There is no net new budget allocated to the Downtown Strategy. The team will leverage existing budgets where possible. It is prudent to note that plans and actions may be limited by financial and resource capacity.

Risk Assessment

One of the primary risks identified for the Downtown Strategy is managing expectations. Recent forecasts suggest that Calgary's economic recovery will be slow and the unemployment and downtown office vacancy rate will remain high, which will continue to have impacts on citizens and businesses. There is a need to emphasize that the downtown office vacancy rate is expected to remain high for the next ten to fifteen years.

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It is also prudent to recognize that there are key variables and factors that are outside the control and influence of municipalities and Downtown Strategy team. These external factors include: federal and provincial direction, legislation, regulation and policy changes, and the global geo-political environment. Doing nothing also poses a risk to the future of downtown. It is important that The City and its partners take deliberate steps to reduce the impact of the economic downturn on the downtown, citizens and businesses to help ensure Calgary's ongoing success into the future. The team is focused on taking actions that will have positive impacts on downtown vibrancy.

REASONS FOR RECOMMENDATION:

This report and the presentation provides an update on the Downtown Strategy including: the team, refined strategies, and work underway. The project team will focus, align, and elevate the awareness of a coordinated strategy that leverages the collective efforts of The City and its public and private sector partners to respond to the prolonged economic challenges and capitalize on opportunities that will create jobs, drive economic recovery, and revitalize the downtown. The team is focused on taking actions that will have positive impacts on downtown vibrancy.

This report recommends that PFC recommend that Council: Direct Administration to continue implementing the Downtown Strategy, as identified in this report and presentation. The Downtown Strategy team will report back to PFC in 2019 October.

ATTACHMENT

1. Attachment 1 - Downtown Strategy Leadership Team