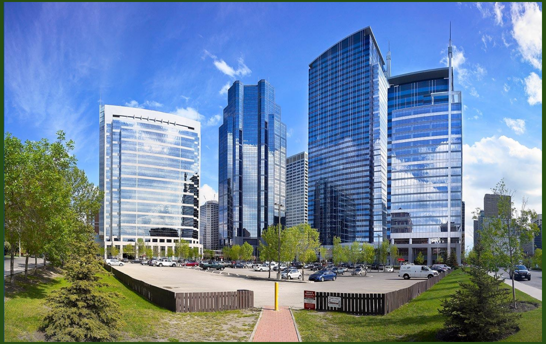
NAIOP Calgary Government Affairs Newsletter

July 2020



Issues: - Top Priorities

The last newsletter was in January. The Government Affairs Committee (GAC) top priorities at that time were the Property Tax Shift and the Green Line.

Fast forward to June's newsletter and we find ourselves still working on a number of the same files. As we know advocacy requires patience as many files take many months or even years to complete.

We are pleased that our advocacy efforts on our two biggest files (Property Tax shift and the Green Line) were both resolved with positive outcomes for our members. See below for more.

Top Priorities for Advocacy: (in priority order)

1. Green Line
2. OSL's (Off-site and other Levies)
3. CECRA (Canada Emergency Commercial Rent Assistance) + Bill 23
4. EAGCS (Established Areas Growth and Change Strategy)
5. Industrial Growth Strategy
6. Storm Water Management
7. GGC (Guidebook for Great communities… formerly known as the DAG (developed areas guidebook))
8. RECA
9. Heritage Tools (property conservation)

Issues: - Other

The list of other issues that we work on from time to time has not changed since January.

Each one of these issues are on-going and some do not have a firm ‘end date’. Files such as climate change will evolve and have the potential to affect our members in material ways so we must keep an eye on what the policies are being considered.

<u>Other advocacy issues</u>

1. CIBEB - Commercial, Industrial, Building, Energy Benchmarking working group
2. BAC -Business Advisory Committee (cut red tape)
3. Charter Authorities
4. Climate change / resilience strategy
5. Regional Planning (CMRB (Calgary Metropolitan Region Board)
6. MDP/CTP amendments
7. Provincial Red Tape Reduction

Greenline

This file has been extremely intense as the final approval date approached on June 15th. NAIOP and BOMA hosted a committee of stakeholders (property owners, community groups, BIA’s and our marketing partner Evans Hunt) that met weekly and ensured a coherent and consistent advocacy.
As with anything this complicated and political, our group had to navigate the best method to ensure a positive outcome for our members.
Our advocacy concentrated on the following…

- Ensuring the entire Green Line was approved.
- Putting fences (construction gates) around the budget of $4.903B
- Ensuring that the alignment through the Beltline and Downtown was below grade.
- Ensuring that the 2nd St alignment south of 4th Av remained below grade to the river and a station and portal was on Harvard lands (what we deemed the Eau Claire lands alignment)
- Advocating for a 9th/10th and 12th Av alignment from the Elbow river through Victoria park and the Beltline. Our reasoning was this was the alignment chosen in 2017 which we and many other endorsed. Further, our review of the potential developments along this alignment showed increased revenues for the City which we felt should not be ignored.
- Support for an enhanced BRT north to provide improved options for northern communities left out in Stage 1

A group of us (Chris O, Richard M, Eileen S, Guy H) made a presentation to the Green Line committee at the public session on June 1st. Many of our members also presented that day from their corporation's viewpoint and reinforced our message.
On June 16th (day 2 of the Council meeting) the Green Line decision went to Council. This was not a public session. The prior weekend had a flurry of changes and saw plenty of horse trading all of which resulted in 16 recommendations from Administration.

Greenline … cont'd

So what happened?

- Administration made its presentation that was materially different to the presentation they had made two weeks earlier at the public meeting. It was obvious that many Councillors had moved from their preferred alignment to one they could live with and one that created consensus.
- There were many questions of administration from many different Councillors
- Our group had ramped up our advocacy with direct contact with all Councillors and the Mayor. We spoke with all at least once and some multiple times.
- Part of our strategy was to engage the Province, specifically the Transportation Minister who was having his own discussions with the Mayor and wrote a very pointed letter regarding the Province's expectations.
- When the votes were tallied the result was 14-1 in support for administration's recommendations with no amendments.
- Only Councillor Farkas voted 'no'. Councillor Magliocca changed his vote at the final minute to 'yes' even though he supported Councillor Farkas' call for a referendum.

What did we get?

- Our preferred alignment through the Eau Claire lands
- Three construction gates providing a level of certainty to staying within the budget envelope.
- Below grade alignment in Victoria Park/Beltline.
- Administration was told to review the 9/10/12th Av alignment and report back to the Green Line committee at the end of the year. While this was a 'win' the approved alignment is 11th Av from the Elbow through the Beltline.
    - **This was a major win for NAIOP.**

      See attached for associated documents.

Offsite & other levies

To say that the City has taken the next OSL (Offsite and other levies) bylaw (Implementation in Jan 2021) seriously, would be a major understatement. They know that the entire development community is anxious about whether levies will be expanded and how much will they grow (or decrease). The average greenfield developer spends 30% of their development costs through OSL's.

There are multiple working groups that have been formed to manage the different issues associated with OSL's. They are..

- OSL governance/audit oversight committee
- OSL joint city/industry review committee
- OSL EA's (established areas) & Centre City working group
- OSL infrastructure types working groups (both GF & EA)
  - Utilities (water resources)
  - Transportation
  - Community & protective services (CS & PS)

OSL's have predominantly been a greenfield issue with all types of development levied for offsite utilities, transportation and CS & PS services infrastructure. In the last bylaw (Jan 2016) the City introduced a sanitary plants levy on all development and then in 2019 (due to the changes in the MGA/City Charter) allowed the City to legally charge for community and protective services (for greenfield development). This had an effect on developers who had voluntarily been paying CS & PS charges for many years.

The City now has the authority, for this new bylaw, to levy for other types of infrastructure in established areas. The City has informed industry that it is exploring a 'developer sized' established areas pipes levy (separate from the Centre City levy). Industry is conflicted as to whether this levy is worthwhile for developers.

Offsite & other levies … cont'd

Why is the industry conflicted?

- On the positive side the new pipes levy will …
  - Provide certainty to developers as to when they will get required infrastructure as the levy will provide specific funds for this type of infrastructure (no waiting).
  - Fix the 'first-in' problem that exists today. This problem stems from the fact that if a developer's project requires pipe upgrades, the developer is responsible for the entire cost. With a levy the City would pay for the pipe upgrades and recover the cost from the levy that every EA developer pays. This is a huge plus for developers that might run into a significant required pipes upgrade that their pro-forma had not contemplated.
  - Be relatively small based on the average annual capital required for developer pipes.

- On the negative side the industry has these concerns..
  - Any new levy means additional cost that is always passed on to the consumer.
  - Currently a developer pays nothing IF their project does not require a pipes upgrade. They will now pay a levy regardless.
  - The levy will likely be small so industry believes the City should provide the developer sized pipes through its current capital program or by raising the utility rates for all ratepayers. This is estimated to be only $10/yr for the current rate base.

  See attached from OSL consultants (Urban Systems)

CECRA + Bill 23

The pandemic (COVID-19) has created uncharted situations for the industry. Both commercial landlords and tenants are facing increasing hardships as a result of the government's decisions to try to stop the spread of the virus.

To mitigate the damage, the federal government introduced CECRA (Canada Emergency Commercial Rent Assistance). This program was met with skepticism by the industry but overall the program has merit and now industry organizations like NAIOP are encouraging their members to sign on to the program.

CECRA allows landlords who have tenants who have lost 70% of their revenues to apply for rent assistance for their tenants. Once approval is secured the landlord will waive 25% of the rent, receive 50% of the rent from the federal program and the final 25% of the rent will be paid by the tenant.

Why the need for Bill 23?

- The Province believes that CECRA does not go far enough to help tenants. They believe that the CECRA criteria needs to be broadened and compel landlords to sign on to the program.
  - The threshold for tenant loss of revenue is 25% (CECRA is 70%)
  - Under CECRA a landlord is not required to apply for the program even if they have tenants that meet the criteria.
  - Bill 23 requires a landlord and tenant to work on a repayment plan for deferral of rent.
  - If there is no agreement the tenant may have the right to terminate the contract without penalty…

    see attached letter to Minister Fir

Established Areas Growth & Change Strategy (EAGCS)

This is a multi-year project, split into 2 phases.

Phase 1 is complete and the report from Admin' was approved by Council on April 29th. … see attached report to Council

Phase 2 is more complicated as it addresses the key issue for Established Areas, that being a sustainable funding program to ensure there is ongoing support for MDP goals. (33% new population growth in EA's by 2039 and 50% by 2069)
See attached phase 2 report to Council

There has been a number of industry who are confused/concerned about the intersection of the EAGCS work and the offsite/centre city levy work.
Admin' has finally communicated that offsite levy work is separate from EAGCS work. In other words the EAGCS work would look at all funding options except levies.

Phase 2 working groups have been identified and the project is moving forward.

The working committees and their mandates are as follows…

- Advisory committee
  - Provides oversight for all established growth and change strategy.
- Utility group
  - Looks at all issues surrounding EA infrastructure as it relates to water resources.
- CIT - (Comprehensive Investment Tools) group
  - This group (as stated) will look at all areas of funding mechanisms related to EA's
- Public Environment group
  - This group is on hold for approx 18 months

Industrial Growth Strategy

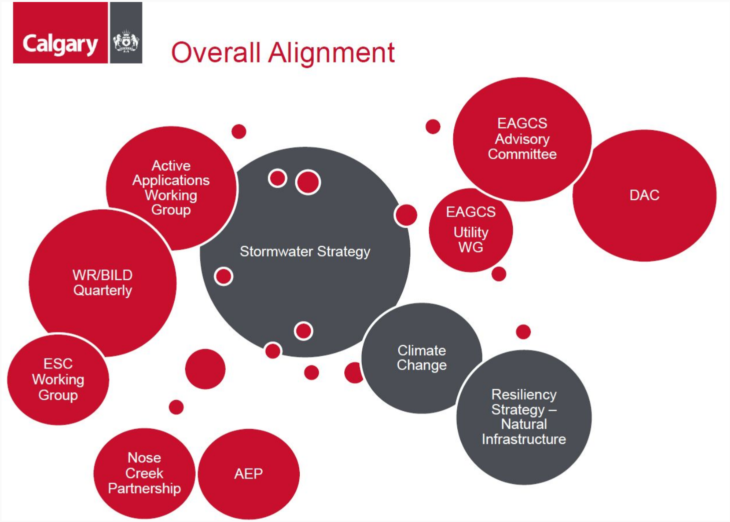
The Industrial growth strategy is now firmly underway. The lead is Abdul Jaffari, RPP, MCIP Senior Growth Management Planner.
The working group that has been assembled to aid Abdul with the strategy is well represented by Industry. There are also representatives from CED (Calgary Economic Development) which help ensure a ‘business friendly’ focus to the strategy.

In the last two meetings the group has identified the scope of the project and the tasks that are required, including engaging a consultant to aid with tax reform, market analysis and the role of REDS.
At this writing we are working with the City to come to agreement on when each goal of the work is completed. The City has proposed end of Q1 2022. We say end of Q2 2021.

See attached for details of the goals and timing see City proposal and Industries responses.

Storm Water Management

I have added the graphic below once again to remind members how key the Storm Water Strategy (new management system) is to the city and specifically developers.



The new storm water management system continues to evolve, but very slowly. There have been a number of workshops that involve many stakeholders. Further there have been online surveys for stakeholders that the water resources team will use to help inform their next steps.

The good news of all this engagement is that storm water administration has recognized the onerous targets that are placed on developers. They have also recognized the serious inequity between developing and developed areas storm water targets. In other words the City needs to have a strategy to improve storm water processing in developed (established areas) where the current storm water management is poor and has the largest effect on improving targets.

That said there are still many current issues facing developers but the City continues to provide one-off relaxations that allow development to proceed.

See attachment for a joint BILD/NAIOP presentation to the stakeholder group

Guidebook for Great Communities (GGC)

We were expecting to let members know that the GGC was approved by Council and planners could use the new guidebook for all LAP’s (local area plans.. Sometimes referred to as MCP’s .. multi community plans).... Not so.

Please see attached a note sent to the GAC (Government affairs committee) that details the reason why the GGC will not return for approval until Jan 2021.

RECA - Real Estate Council of Alberta

Many NAIOP members will know that the UCP was not happy with RECA and fired the entire Council.

They appointed Duane Monea as the chief administrator tasked with setting up a new structure for RECA and putting a governance structure in place.

The new structure would see a Board that has 2 years to implement new bylaws.
The board would consist of 3 members of the public, appointed by the Minister (one of which will chair the Board). There would be one member from each of the 4 industry Councils that will be created.
The 4 industry Councils are …
- Residential Real Estate Agents & Brokers
- Commercial Real Estate Agents & Brokers & Prop' Managers
- Mortgage Brokers
- Residential Prop' Managers & Condo Managers

The Industry Councils will have 3 industry members and 2 public members appointed by the minister.
The Councils would be responsible for regulations to provide required amendments.
That said the first order of business is to implement a dispute resolution process.
Elections for the Councils is imminent, likely by November.

NAIOP has for several years now has been advocating for an amendment to RECA's rules or the regulations to the Real Estate Act that would have the effect of exempting institutional landlords from onerous and unnecessary reporting requirements. We are much more confident now that under the new RECA governance model we can achieve our goals.

See attached letter from NAIOP to Duane Monea

Heritage Conservation Tools

The City has been working on a plan to improve the policy around Heritage properties.
This is a noble cause as all Calgarians should want to see our Heritage properties protected.

Industry was informed that the COVID-19 virus would stop progress on the Heritage file and it would not be coming back to Council until October. That changed when the Guidebook for Great Communities and the Northill LAP were moved up to July 15th PUD. It was felt that the Heritage Conservation Tools plan should be moved ahead as well as the new Guidebook and the Northill LAP could benefit from having the Heritage Tools resolved.

Unfortunately with the accelerated timeline there are still a lot of unanswered questions. Specifically there needs to be a more robust conversation with those property owners who would be directly impacted.
The tools will be split into 3 'layers'. Each layer defines the type of heritage property.
Our concern is layer 2. We feel that the property owners (both Heritage and non Heritage) will be negatively affected (restricted) by the required forfeiting of a permitted use designation and replaced by Discretionary Guideline Areas. This will likely create a much larger group of heritage properties that will have an effect on redevelopment around those properties.

All that said, the Heritage Conservation Tools were approved at PUD on July 15th

For more information on Heritage Tools and Layers see attached report to PUD.

Thanks!

Contact us:

guy.huntingford@naiopcalgary.com

Attachments

June 10, 2020

Mayor Nenshi and City Councillors
P.O. Box 2100, Station M
700 Macleod Trail South
Calgary, AB
T2P 2MS

Re: Green Line

Dear Mayor Nenshi and City Council,

We would like to thank-you for the opportunity to appear before the Green Line Committee on June 1st to present our position and recommendations on the Green Line. Now that the Committee has forwarded Administration's proposal to the full City Council, the intent of this letter is to confirm our recommendations and ensure that all of Council is aware of them.

As you are all aware, we are strong supporters of moving forward with the Green Line including a crossing of the Bow River, and we have and continue to recommend changes be made to ensure the entire Green Line maximizes its potential as a significant city building project. With that in mind we again propose the following recommendations which we would encourage Council to consider as amendments to the Administration recommendation made to the Green Line Committee. We would also like to reiterate our strong thanks and support for the changes made in the Eau Claire station area, and ask that Council formally adopt this station solution within their decision.

Recommendation 1: Ensuring Successful Construction by Stage-Gating Stage 1

Given its size and scope, Council has prudently discussed the importance of cost management on the Green Line project. We would recommend adding a stage-gate to the construction of Stage 1 by dividing the work into three distinct segments and then proceeding with construction when certain metrics are reached.

We strongly urge that Council consider the following amendment to Administration's proposed plan:

1. Council direct Administration to stage-gate construction of Stage 1, aligned with the following Segments:
    - Segment 1: Shepard to Elbow River;
    - Segment 2: Elbow River to Eau Claire;
    - Segment 3: Eau Claire to 16th Avenue N.
2. Council approve construction of Segment 1, from Shepard to Elbow River, to begin as soon as possible.

3. Pending any required review of the Beltline portion of the Segment 2 alignment, Council approve the release of the Segment 2 RFP and the start of construction.

4. Council approve Segment 3 from Eau Claire to 16th Ave N and direct Administration to complete community engagement and work on the Functional Plan for Segment 3. Once complete, and after Administration has completed tendering of Segments 1 and 2 and is able to confirm necessary funding for Segment 3, proceed with tendering of Segment 3.

Why is this important?

- Learnings from the first two Segments has the potential to unlock value and result in additional budget becoming available for Segment 3. A stage gate would allow for any potential savings realized through Segment 1 and 2 to be redirected into enhancing Segment 3 or extending the northern leg of the Green Line;
- This stage gate approach allows for appropriate scope and cost management without in any way delaying the overall project.

Recommendation 2: Original Alignment through the Beltline

When the project was approved by Council in June of 2017, the alignment agreed to was a 10th Avenue alignment turning south to 12th Avenue before turning north to the downtown core. As owners of land and buildings along the route and developers who would be contributors to some of the Transit-Oriented-Development (TOD) along the length of the route, we feel strongly the original alignment is significantly better suited to realize development potential through the Beltline. We also note the continued support for the 2017 10/12 Ave alignment from the Calgary Stampede and the Calgary Flames and several landowners along the route. CMLC, whose mandate includes maximizing development and CRL revenue potential in the Rivers District, had endorsed the 2017 alignment in the current Rivers District Master Plan which was approved in 2019.

We strongly urge that Council consider the following amendment to Administration's proposed plan:

1. Council direct Administration to re-evaluate the 2017 10th and 12th Ave alignment of Segment 2 through the Beltline against the current 2020 Administration recommendation, including an updated risk profile and impact on the potential revenue generation for the CRL, and report back to the Green Line Committee by Q4 2020, prior to final approval of the Segment 2 alignment.

Why is this important?

- The original 10/12 Ave alignment will maximize potential revenue to the CRL, currently estimated to be a benefit of at least $150 to $250 million over that of the proposed 2020 alignment, which has not been challenged by Administration;
- The original 10/12 Ave alignment will maximize the transit user experience by improving access to current and planned residential projects as well as St. Mary's High School and the Repsol Centre, by moving the Centre St station further into the Beltline;
- The original 10/12 Ave alignment with a 10 Ave station provides an interconnection to East Village

and future regional rail services (including the recently announced Calgary-Banff Rail Project which is now under study by the Province and the Canadian Infrastructure Bank);
- The original 2017 Green Line alignment through the Beltline has the continued support of the Calgary Stampede, Calgary Flames and numerous landowners in the area.

It cannot be overstated that the Green Line is a critical piece of public infrastructure and we strongly believe the project should proceed as quickly as possible. The investment and the jobs that accompany it are critical to the economic health of the city, and the Green Line will spur development all along the line, including the critically important Rivers District.

Thank you for your consideration.

This submission to Calgary City Council is endorsed by members of the following organizations:

Richard Morden, Senior Vice President, Office Properties, Western Canada, Quadreal Properties & Chair, BOMA Calgary

Guy Huntingford, Director Strategic Initiatives, NAIOP Calgary

Scott Macdonald, Vice President, Development & Construction, Alberta, Harvard Developments Inc.

Guy Priddle, General Manager, Calgary Office Properties, The Cadillac Fairview Corporation Ltd

Lloyd Suchet, Executive Director, BOMA Calgary

Jessica Karpat, President, Mount Pleasant Community Association

Eileen Stan, Matco Development Corp & Chair of the Board, Calgary Downtown Association

Robert Homersham, Barrister & Solicitor & President-Elect, NAIOP Calgary

Chris Ollenberger, Chair, NAIOP Calgary Government Affairs Committee, and Managing Principal, QuantumPlace Developments Ltd.

Rosanne Hill-Blaisdell, Managing Director & COO, Harvard Developments Inc.

Jamie Cooper, Senior VP, Land Development & Construction, Remington Development Corporation

Rob Blackwell, Chief Operating Officer, Aspen Properties & Chair-Elect BOMA Calgary

David Routledge, Vice President, Real Estate Management West, Oxford Properties Group

Ian Parker, COO, Western US & Canada, Office Division, Brookfield Properties

Gillian Lawrence, General Manager - Land Development, Remington Development Corporation

Dwight Jack, Senior VP, Office Leasing, Canadian Office Division, Brookfield Properties

Chris Nasim, Vice President, Asset Management Prairie Region, GWL Realty Advisors

Cody Clayton, President, Remington Development Corporation

Revised Administration Recommendations:

The Green Line Committee recommends that Council:

1. Reconsider its decision of 2017 June 26 as it relates to approving the alignment and station locations of Stage 1 (16 Avenue N (Crescent Heights) to 126 Avenue S (Shepard)) and approve the updated Stage 1 alignment and station locations outlined in the revised Attachment 3. (For clarity, this is a reconsideration only of the alignment and station locations in Stage 1);

2. Direct Administration to implement a stage-gate process for delivery of Green Line Stage 1 Program (“Stage 1”) in accordance with the following Segments as outlined in the revised Attachment 3:
    a. Segment 1: 126 Avenue S.E. (Shepard) to East of the Elbow River (Inglewood/Ramsay);
    b. Segment 2A: East of the Elbow River (Inglewood/Ramsay) to 2 Avenue S.W. Station (Eau Claire); and
    c. Segment 2B: North of 2 Avenue S.W. Station (Eau Claire) to 16 Avenue N;

3. Reconsider its decision, of 2019 July 29 by substituting the word “Segment” for the word “Contract” and substituting the words “East of the Elbow River (Inglewood/Ramsay)” for the words “4 Street SE” wherever they appear in its decision be approved;

4. Direct Administration to undertake the Segment 2A Functional LRT Plan and report back to the Green Line Committee with the results of the Segment 2A Functional LRT Plan no later than the end of Q4 2020;

5. Direct Administration to include a cost-benefit comparison (based on the Council approved evaluation criteria themes: Mobility, Connectivity, Development, Environmental, Cost and Value, Risk and Constructability) for the 10 and12 Avenue S and 11 Avenue S alignments in the report required in Recommendation 4 above, if the risk adjusted cost estimate for the 10 and 12 Avenue S alignment becomes less than or equal to the risk adjusted cost estimate for the 11 Avenue S alignment;

6. Direct Administration to undertake the Segment 2B Functional LRT Plan and to continue stakeholder engagement and communications in Segment 2B as required while completing the following plans:
    - Mobility Studies Plan;
    - Access Management Plan;
    - Streetscape Plan; and
    - Bow River Bridge Plan.

    Direct Administration to report back to the Green Line Committee with the results of the above plans no later than the end of Q2 2021;

7. Direct Administration to release the RFP for Segment 1 no later than 2020 July 24, execute required contracts and proceed with Segment 1 provided the Segment 1 cost

estimate, including contingency, is estimated at no less than P80 and is within the Council approved Green Line Program budget;

8. Direct Administration to develop a contracting strategy for Segments 2A and 2B;

9. Direct Administration to prepare and release the procurement for Segment 2A provided the Segment 2A cost estimate, including contingency, is estimated at no less than P80 and is within the Council approved Green Line Program budget, and execute required contracts for Segment 2A and proceed with construction of Segment 2A;

10. Direct Administration to prepare and release the procurement for Segment 2B but not enter into a commitment to construct Segment 2B until Administration has determined that the construction of Segment 2A has sufficiently advanced to materially demonstrate that the Stage 1 cost estimate, including contingency, is estimated at no less than P80 and is within the Council approved Green Line Program budget. Once Administration has determined this and reported to Council, execute required contracts for Segment 2B and proceed with the construction of Segment 2B;

11. Direct Administration to advance enabling works construction in Segment 2A and 2B that materially reduces Segment 2A and 2B risk or advances their critical path schedule. Enabling works include but are not limited to utility relocations, demolition of existing buildings, environmental remediation and construction preparation activities;

12. In accordance with Council's direction on 2019 July 29 direct Administration to continue working with our funding partners to obtain agreement that any capital cost savings from the Green Line Stage 1 Program be applied to extension(s) south to McKenzie Towne or north to 40 Avenue N, the extension(s) to be determined utilizing the RouteAhead Project Prioritization Framework, and options to negotiate such extension(s) to be included in the contracts;

13. Direct that the primary focus of the Green Line Committee shift to planning for Stage 2 of the Green Line (the balance of 160 Avenue N to Seton) with an emphasis on North Central Calgary and the creation of a flexible and convertible mobility corridor in preparation for LRT that accommodates BRT and transit-on-demand as interim options until full funding for LRT can be secured, as well as the process of LRT and Transit-Oriented Development planning, with the goal of improving transit in North Central Calgary in the short and long term. Any updates to the Terms of Reference for the Green Line Committee as a result of this new focus shall be presented to the Committee no later than end of Q3 2020;

14. Direct Administration to develop a Functional Plan for a flexible and convertible mobility corridor in North Central Calgary from 160 Avenue to Downtown (including but not limited to improvements identified in Attachments 7a and 7b) and return with recommendations for which improvements can be accommodated within the Council approved Green Line Program budget. This Functional Plan shall:

    a. Take into consideration the mode progression from express buses to a convertible BRT/LRT mobility corridor from 160 Avenue N to Downtown, including but not limited to the improvements identified in Attachment 7b from 160 Avenue N to 96 Avenue N; and

b. Identify potential funding sources and strategies required to construct improvements beyond the funding that is part of the Council approved Green Line Program budget.

Administration to report back to the Green Line Committee no later than the end of Q2 2021 with the functional plan and the delivery plan for the funded improvements;

15. Direct Administration to proceed with the real property transactions based on the updated Stage 1 alignment as outlined in the revised Attachment 3, including the North Central BRT Improvements, in accordance with the procedures as outlined in the previously approved Proposed Delegated Authority, Stage 1 Green Line Project [C2018-0333];

16. Direct Administration to:
    a. Advise the Government of Canada and the Government of Alberta of Council's approval of the recommendations in this report;

    b. Secure any required amendments to the funding agreement, such amendments to include but not be limited to the Government of Canada agreeing to expedite the release of its funding contributions to help mitigate debt financing costs; and

    c. Secure written assurances from the Government of Alberta resolving the issues related to the 90-day termination provision contained in the Public Transit and Green Infrastructure Project Act (Alberta).

    All amendments and written assurances are to be in content satisfactory to the City Manager and the Chief Financial Officer and in form satisfactory to the City Solicitor and General Counsel. Should all amendments and written assurances not be secured by the end of Q4 2020 direct Administration to report back to the Priorities and Finance Committee;

17. Notwithstanding the approvals above, and provided that the total Green Line Program Stage 1 cost does not exceed the Council approved Green Line Program budget, should significant additional funding for public transit become available, direct Administration to return to the Priorities and Finance Committee with recommendations for investments outlined in the Route Ahead prioritization strategy (including north and south extensions of the Green Line). Further, if adjustments to the Green Line Program are required to attract additional funding, direct Administration to make recommendations to Council regarding those adjustments and funding opportunities.

Financial Analysis

INTRODUCTION

Financial analysis has been completed on the Green Line Stage 1 Program. This attachment has been written to be a stand-alone, full summary of material information included in the financial analysis.

EXECUTIVE SUMMARY

The financial strategy principles approved by Council on 2019 January 28 (Report C2019-0135) for pursuit of the Green Line Stage 1 Program plus the four major capital projects are foundational to the financial analysis of the Green Line Stage 1 capital program. In particular to optimize funding, financing and schedules, in order to deliver these major capital projects, considering, but not limited to the following objectives:

- Minimizing financing costs;
- Maximizing partner funding contributions;
- Maximizing the number of projects that can be completed;
- Minimizing the overall credit rating impact; and
- Sequencing the projects to reduce overall costs.

The financial strategy for delivering on the Stage 1 capital program is based on detailed financial analysis using a series of assumptions, which will evolve over time and are subject to change through various stages of delivering and executing the Program. The assumptions include, but are not limited to the following:

- Estimated cash flow profiles of forecast Program expenditures, which will be updated periodically over the procurement, design and construction phases of the Stage 1 Program as a result of refined design and engineering estimates, final contract pricing, and material change orders arising during construction;
- Overall Program schedule including estimated procurement timelines and individual project schedules for multiple contracts, and key milestones to execute a complex phased multi-party contracting strategy;
- Procurement is not complete for the three major contracts; therefore, cash flows are based on estimates rather than final contract pricing and schedules;
- Receipt of provincial contributions are based on fixed payment schedule that does not align with Program expenditures;
- Confirmation of eligible federal expenditures to be claimed in each fiscal year, including federal approval to front-end load their contribution to offset provincial contributions that have been deferred due to budgetary constraints; and
- Execution of a debt program with exposure to debt market conditions over time, including the level of interest rates and available financing structures.

The impacts of COVID-19 on delivery and financing of the Program are closely monitored by the project team and Finance and will be factored into future assumptions.

FINANCIAL CAPACITY

Capital Cost

The capital cost estimate of $4,903 million for the Stage 1 LRT Project includes all contingency and escalation costs before consideration of any financing costs. The Stage 1 Project scope includes the design, construction, and implementation of twenty (20) kilometers of LRT track from 16th Avenue North to 126 Avenue SE. The updated recommended Stage 1 alignment anticipated to be approved at the 2020 June 15 Combined Council Meeting will also include BRT enhancements from 144 Avenue North to 6th Avenue SW as part of the Stage 1 Program scope.

The financial analysis utilizes the base Stage 1 LRT Program estimate profiled over the term of construction. Individual cost categories in this estimate are aggregated across major cost categories and contracts.

Contract Payment Mechanisms

These major contracts, including the Segment 1, Segment 2 and LRV contract, have specified payment mechanisms that define how contractors or suppliers will be compensated for the work performed on the Program. Forecasts of these key contract payment mechanisms and other Program expenditures are the basis on which the updated capital budget profile for the Program has been derived. Contract payment mechanisms are customized to allow The City flexibility in structuring the terms of the contracts to ensure payments match the timing of contributions from the funding partners and The City. Table 1 summarizes the capital budget profile for the Green Line Stage 1 Program.

Table 1. Green Line Stage 1 Capital Budget Profile

Description	Spend to 2020	2020	2021	2022	2023	2024	2025	2026	2027	2028	Total
Capital Budget Profile	525	167	355	271	403	796	774	860	718	34	**4,903**

Refer to Attachment 4 for a summary of the previously approved capital budget and incremental capital budget appropriation request.

Capital Funding

The City's contribution for Stage 1 Program costs will be up to $1,560 million plus financing costs of up to $639.9 million, for a total City funding contribution of $2,200 million. This amount is exclusive of any operations and maintenance costs once revenue service commences or future major rehabilitation and renewals costs for the Program.

The Government of Canada's capital contribution will be up to $1,641 million, including $1,530 million under the Ultimate Recipient Agreement (URA) plus enabling works grant funding (under Public Transit Infrastructure Fund (PTIF)) and the Government of Alberta is contributing up to $1,702 million for the Project, including $1,530 million under the URA plus prior enabling works grant funding (under PTIF, GreenTRIP or prior grant programs)..

Alberta will fund up to 40% of eligible expenditures of the Stage 1 Program, as per the contribution profile set out in the URA and updated through Alberta Regulation 189/2019 and Canada will fund up to 40% of eligible expenditures for the Stage 1 Program. Not all costs in these major cost categories eligible for funding from the Alberta or Canada; therefore, the financial analysis accounts for ineligible costs that The City would be liable to fund.

The estimated Canada Contribution and Alberta Contribution are further adjusted in the financial analysis to account for the claims submission process, holdbacks and the Government of Alberta administration fee. Table 3 summarizes estimated eligible expenditures and adjusted contribution profiles for each of these funding partners. All outputs are stated in millions of dollars unless otherwise stated.

Table 3. Estimated Canada Contribution and Alberta Contribution

Description	2020	2021	2022	2023	2024	2025	2026	2027	2028	Total
Canada Contribution	-	121	80	81	225	317	253	361	93	1,530
Alberta Contribution	-	-	25	50	291	291	291	291	291	1,530

Cash Flow Waterfall

The financial analysis integrates several financial and commercial components of the Program together into an integrated financial model. The resulting cash flows are the basis to the debt financing program.

DEBT AND DEBT SERVICING IMPACT

The Program will require debt financing due to the timing differences between expenditures and funding. The timing of expenditures is dependent upon, but not limited to the contract payment mechanisms which comprise majority of the spend for the Green Line Stage 1 Program and the contribution profiles each funding partner.

Debt Issuance

The City anticipates executing a long-term debt financing program through a series of debt issuances to ensure total financing costs are minimized over time. The cumulative amount debt issuance is anticipated is approximately $1,509 million, with the peak amount of outstanding debt anticipated in 2027.

Following receipt of all funding partner contributions in 2028, the debt level is anticipated to step down from the peak and the remaining amount of indebtedness will be repaid over the longer term with City funding. All Program indebtedness needs to be fully repaid by 2044 December 31 to align with the final year of City funding.

Financing Cost

The Green Line Stage 1 program does not include any contingency for financing costs in the base contingency; therefore, The City must structure its debt financing program to ensure the financing costs remain within the budgeted amount funding. The estimated interest during construction is $301 million and $339 million during the operations period.

Operations and Maintenance Costs

Incremental operating and maintenance costs of approximately $40 million per year (in 2016 dollars) have been estimated for the Program. Approximately half of the incremental operating and maintenance costs are associated with the Green Line LRT and the other half are required for the supporting bus network. Bus operating hours are required with or without the Green Line in the southeast to meet population growth and to ensure coverage and adequate service levels. With approval of the Stage 1 alignment the operating costs will be refined. Operating costs are dependent on a number of factors including: additional operating investments prior to LRT, LRV vehicle characteristics, operating speeds and actual ridership.

Lifecycle Costs

Major rehabilitation and renewal costs refer to all expenditures associated with future lifecycle improvements of the Green Line Stage 1 assets. A rehabilitation and renewal assessment will be made of program assets and could mean one or more major maintenance events or even replacement within the Program's lifecycle. This includes all expenditures associated with capital improvements that will increase the useful life of the infrastructure.

The current estimate for renewal costs is $296.2 million (in 2016 dollars), which will be expended over a 30-year operations period for the Green Line. Future major rehabilitation and renewal costs do not have an identified funding source. These costs are anticipated to be included in future capital plans.

An updated major rehabilitation and renewal cost forecast will be required to be prepared in advance of the start of operations. Over a long-term operations period, infrastructure rehabilitation, renewal and upgrades will require future capital funding. Related funding sources will need to be identified in future business plans and budget cycles to fund these necessary costs to maintain the LRT system reliability and performance over the longer term, similar to the processes currently in place for the existing LRT systems.

Current and Incremental Capital Budget

As the Project moves toward implementation and contracts are awarded, the Project cost estimate, schedule and payment terms will be updated to reflect the final agreements and the capital budget profile will be adjusted.

Current and Future Operating Budget

The Stage 1 Program operations and maintenance costs are currently not funded as they would reside in a future budget cycle. As a result, a future funding source from property tax dollars will need to be in place prior to the start of operations anticipated no earlier than 2027. Operating budget requirements will be reviewed during the current One Calgary cycle (2019 to 2022) with refinements and updates to be approved in a future business plan and budget cycle to align with the anticipated revenue service date.

FINANCIAL ASSUMPTIONS OVERVIEW

Funding and Financing Cash Flow Assumptions

There are a number of current key financial assumptions that guide The City financial analysis. These assumptions were developed with guidance and close integration with various members of Green Line project team and others providing advisory services in order to understand the Program cost estimate and schedule and develop an advanced understanding of the financial and commercial principles to guide with this due diligence analysis.

Sensitivity Analysis

A sensitivity analysis has been performed relative to the base case City debt financing estimate, to assess the impact of the Canada Contribution equal to 100% of eligible expenditures, up to $1,560 million which has not been confirmed at the timing of writing, as well as the impact of deviations to the major assumptions in the financial analysis.

ALBERTA
TRANSPORTATION

Office of the Minister
Deputy Government House Leader
MLA, Calgary-Hays

June 16, 2020

His Worship Naheed Nenshi
Mayor, City of Calgary
PO Box 2100, Station M
Calgary, AB T2P 2M5

Dear Mayor Nenshi:

I write today in regarding Calgary City Council's decision with respect to the alignment of the Green Line LRT project.

Let me begin by acknowledging that I am in favour of developing Calgary's mass transit system in a comprehensive, affordable, and economical manner, and I have been a proponent of LRT construction since I first ran for Calgary City Council in 1998. Our government has reiterated its commitment to building a Green Line LRT and we remain in favour of the goals of the project and the desire to provide accessible mass transit for Calgarians.

The Green Line LRT project is the largest public infrastructure project in Alberta's history and merits thorough analysis to ensure that we have properly considered the risks associated with a complex rail line through downtown Calgary. The project has also undergone several significant changes in scope and cost since it was first announced, including the latest version of the project, which was only revealed in the last few weeks, and which we have not had an opportunity to analyze in detail. It is incumbent on the provincial government to ensure that the $1.53 billion in taxpayer dollars that form the province's contribution are used responsibly. We therefore intend to take the time necessary to complete a thorough and informed analysis of the benefits and risks of this latest version of the project before obligations are incurred by the province, to ensure that taxpayers are protected.

The provincial government is committed to working with the City of Calgary as partners to ensure the Green Line is delivered in the best interest of those who need it, as well as the taxpayers who fund it. I look forward to returning to you with the result of the province's analysis on an expedited basis this summer and our recommendation on a path forward that ensures the maximum number of Calgarians are able to benefit from the largest infrastructure project in Alberta's history without delay.

Sincerely,

Ric McIver
Minister of Transportation

320 Legislature Building, 10800-97 Avenue, Edmonton, Alberta T5K 2B6 Canada Telephone 780-427-2080 Fax 780-422-2002

JUNE 2020

OFF-SITE LEVY + CENTRE CITY LEVY

STAKEHOLDER-FOCUSED ASSESSMENT

WHAT WE HEARD REPORT

URBAN SYSTEMS

CONTENTS

URBAN SYSTEMS

1057.0117.03 | June 2020

PURPOSE:

The City has initiated a review of the Off-Site Levy (OSL) and Centre City Levy (CCL) bylaws and related programs. In support of the levy program updates, Urban Systems Ltd. was retained to complete a Stakeholder-Focused Assessment. The intent of the assessment was to engage internal and external stakeholders impacted by the levy programs to understand if the levy programs are achieving their objectives and how they are functioning (i.e., methodology, administration, etc.) from their perspective. The desired outcome of the Stakeholder-Focused Assessment was to identify levy program areas for further review, analysis and discussion for The City and Industry through the 2020 levy update process.

The body of the What We Heard report provides an overview of the engagement approach, including the schedule, what stakeholders were engaged, intent of the engagement and questions asked. The body of the report also includes a summary of the feedback received. The summary is framed around areas of feedback (e.g., financial stability) based on input received from stakeholders.

The Appendices of this report captures all of the feedback received through the engagement sessions. This feedback creates the base for the summary feedback. The Appendices are organized by stakeholder group.

ENGAGEMENT APPROACH:

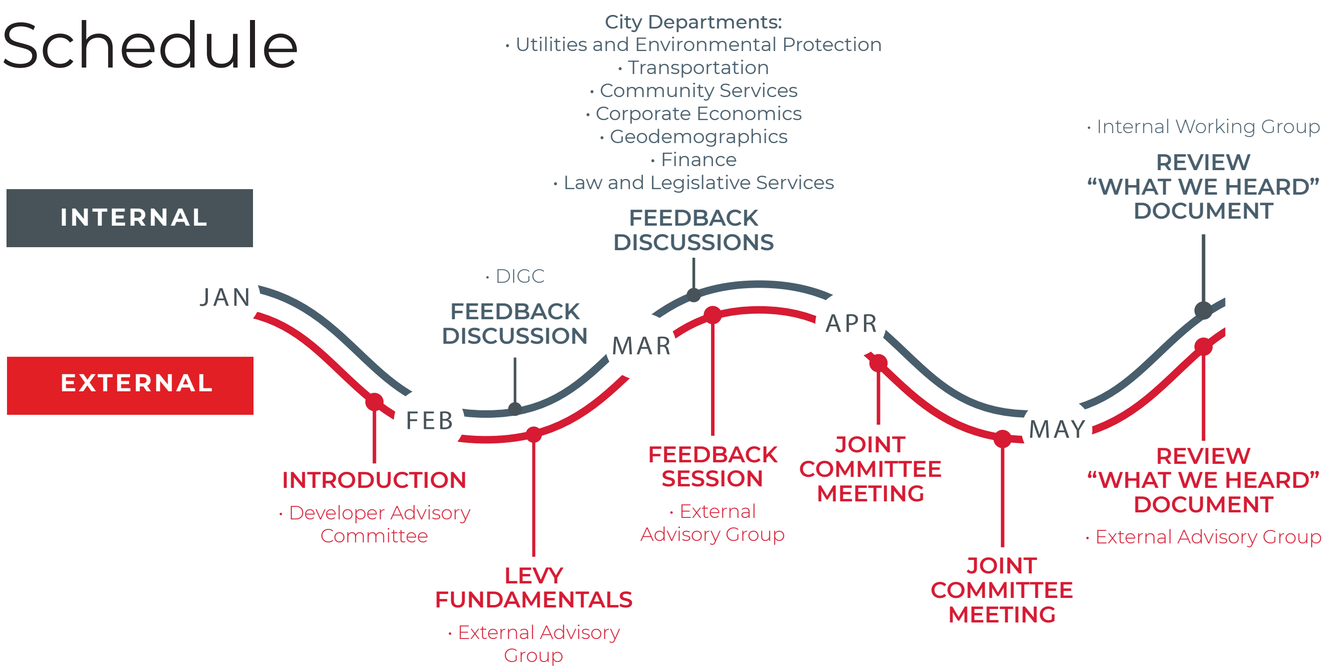
To facilitate the Stakeholder-Focused Assessment, a variety of engagement sessions were held between February and April 2020 to gather feedback from stakeholders. The sessions held are reflected in the below schedule and described (i.e., intent and questions explored) in subsequent pages.

Internal and external stakeholders were engaged throughout the process. Internal stakeholders included the City of Calgary Directors Integrated Growth Committee (DIGC) and the Internal Advisory Group, which included representation from City Departments involved in the levy programs. External engagement occurred with the External Advisory Group. The External Advisory Group consists of Building Industry and Land Development Association (BILD) and National Association for Industrial and Office Parks (NAIOP) members. Joint Committee meetings were also utilized as a platform to received feedback. Joint Committee meetings include the External Advisory Group and the Internal Advisory Group.

In addition to the sessions, a questionnaire was distributed to external stakeholders to allow for sharing and contribution from others not part of the External Advisory Group. The questionnaire provided the basis for the engagement sessions with the External Advisory Group.

Joint Committee meetings were held on April 1 and April 29, 2020. In these meetings City Departments presented materials related to the Levy Programs. Stakeholder feedback was also collected from these meetings.

Schedule



ENGAGEMENT SESSIONS:

Developer Advisory Committee

SESSION DATE: January 27, 2020

INTENT: At this session, the intent was to share the scope of the Stakeholder-Focused Assessment with the Developer Advisory Committee and determine who would be a part of the engagement process.

Following this meeting, BILD and NAIOP provided a list of members that could participate in the External Advisory Group. The External Advisory Group meets with The City on a bi-monthly basis and consists of NAIOP and BILD members familiar with the existing Off-Site Levy and Centre City Levy Bylaws. The Advisory Group meetings were utilized for feedback sessions for this scope of work.

Directors Integrated Growth Committee

FEEDBACK SESSION DATE: February 18, 2020

INTENT: The intent of this session was to provide a high-level overview of the existing levy programs and receive general feedback. Comments received are found in Appendix A.

QUESTIONS:

1) Do the objectives of the OSL and CCL still resonate?
    a) Do you believe there is anything in misalignment?
    b) Are the levies achieving their objectives?
2) What are the greatest challenges with the current Levy Programs (OSL/CCL)?
3) What are the greatest risks to The City if Levy Programs are not amended?
4) What does success look like from your perspective for the OSL/CCL updates

External Advisory Group

EDUCATION SESSION DATE: February 19, 2020

INTENT: This session was to provide high level education on the existing levy programs (i.e. Off-Site Levy and Centre City Levy) to ensure a base level of understanding prior to receiving feedback from the External Advisory Group on the levy programs.

No specific feedback questions were asked at this session. Through presentation of the content general comments were received and have been placed in **Appendix B**.

External Advisory Group

FEEDBACK SESSION DATE: March 4, 2020

INTENT: In preparation for the External Advisory Group meetings, a questionnaire was sent out to the participants on February 24, 2020. This provided participants with an opportunity to review and contemplate the questions prior to the in-person meetings. Written responses were received from BILD and NAIOP prior to the March 4, 2020 meeting The questionnaire responses from BILD and NAIOP were discussed at subsequent meetings to ensure the feedback provided was understood and captured correctly.

A meeting was held on March 4, 2020 to review responses to questions 1 through 6. The written responses received from BILD and NAIOP along with supplementary feedback received at the March 4, 2020 meeting can be found in **Appendix B**. Questions asked in the questionnaire are captured below:

OFF-SITE LEVY - GENERAL:

1) What do you believe is the biggest challenge with the current Off-Site Levy Bylaw program?
2) What do you believe is the biggest risk to the development industry through the Off-Site Levy update?
3) What does success look like from your perspective for the Off-Site Levy update?
4) What do you believe is the biggest opportunity for the development industry through the Off-Site Levy update?

OFF-SITE LEVY GUIDING PRINCIPLES:

5) Do the Off-Site Levy guiding principles still resonate?
6) Do the principles align with the application of the Off-Site Levy Program?

OFF-SITE LEVY MECHANICS:

Determination of Infrastructure Needs:

7) Do you have any concerns related to the determination and inclusion of infrastructure within the off-site levy program?

Determination of Benefit:

8) Do you have any concerns related to the allocation of benefit utilized within the Off-Site Levy Program?

Calculation Methodology:

9) Do you have any concerns related to the Off-Site Levy calculation methodology currently utilized?

Administration:

10) Do you have any concerns related to the administration of the Off-Site Levy Program?

CENTRE CITY LEVY - GENERAL:

1) What do you believe is the biggest challenge with the current Centre City Levy Program?
2) What do you believe is the biggest risk to the development industry through the Centre City Levy update?
3) What does success look like from your perspective for the Centre City Levy update?
4) What do you believe is the biggest opportunity for the through the Centre City Levy update?

CENTRE CITY OBJECTIVES:

5) Are the Centre City Levy objectives clear?
6) Do the objectives align with the application of the Centre City Levy?

CENTRE CITY MECHANICS:

Determination of Infrastructure Needs:s:

7) Do you have any concerns related to the determination and inclusion of infrastructure within the Centre City Levy program?

Determination of Benefit:

8) Do you have any concerns related to the allocation of benefit?

Calculation Methodology:

9) Do you have any concerns related to the levy calculation methodology currently utilized?

Administration:

10) Do you have any concerns related to the administration of the Centre City Levy Program?

Internal Advisory Group

SESSION DATES: March 10 and 12, 2020

INTENT: One hour sessions were held with each of the following City departments to gain feedback on the Off-Site Levy and Centre City Levy Programs:

- Transportation
- Utilities and Environmental Protection
- Finance
- Law
- Community Services
- Geodemographics
- Corporate Economics

Prior to the sessions, the below questions were provided for participants to review and contemplate. At the sessions, the conversation focused on answers to the questions.

Feedback from these sessions can be found in **Appendix A**.

QUESTIONS:

1) What do you believe is the biggest challenge with the current Off-Site Levy Bylaw and Centre City Bylaw?
2) What do you believe is the biggest risk through the current Off-Site Levy Bylaw and Centre City Levy Bylaw?
3) What do you believe success looks like for the Off-Site Levy and Centre City Levy update?
4) What do you believe is the biggest opportunity through the current Off-Site Levy Bylaw and Centre City Levy Bylaw?
5) Has your department achieved their capital delivery goals over the past 5 years?
6) Has the levy offered an effective tool to cost recover for this capital?
7) Performance and Effectiveness:
   a) How would you describe the levy program's performance relative to results anticipated 5 years ago?
   b) How has this impacted your perspective on the effectiveness of the levy programs moving forward?
8) Do the guiding principles still resonate?
9) Do you see any challenges with the current guiding principles to achieve your department's goals?

SUMMARY OF FEEDBACK:

The following summary is based on feedback provided by both internal and external stakeholders. The summary is not intended to capture all of the feedback received from stakeholders. It provides high-level themes based on feedback received from stakeholders. Organization by theme allows for identification of feedback similarities and variance. All of the feedback received is located in **Appendix A** and **B**.

DIRECTIONAL

OFF-SITE LEVY BYLAW

INDUSTRY | CITY | CITY AND INDUSTRY

PRINCIPLES

Guiding Principles should be reviewed

- The City's context has changed since the 2016 update.
- Ensure that they are balanced to reflect all perspectives.

OPPORTUNITIES/SUCCESS

Strengthening of transparency, clarity, and accountability in the OSL Program

- Elimination of rhetoric - "Growth doesn't pay for growth".
- Demonstration of overall costs to development.

Literacy and Stewardship

- Decisions made are easily understood by Council, public and industry.
- Improved understanding of levy programs by Council, industry and administration.
- Ongoing stewardship of levy programs from all parties involved.

Strategic Alignment

- Clear connection between The City's growth strategies and the levy program.
- Alignment of Council decisions related to growth and achievement of MDP Goals.

Promotion of Development

- The levy is an effective mechanism that provides certainty and encourages economic and orderly development.

Sharing of Risk

- More confidence in development certainty.

Exploration

- Exploration of legislative ability to determine what is needed for city growth – not restricted to a list.
- Exploration of alternative approaches to projecting growth.

CHALLENGES/RISKS

Market Competitiveness

- Aggregate development costs need to be understood comprehensively. What is the impact to the economics of development?
- Residential and non-residential markets are different and need to be reviewed from a levy impact perspective separately.
- Market competitiveness in region is important to consider.

Levy Stewardship

- Levy programs are complex and challenging to understand, making it difficult to provide clarity to all necessary parties.
- The current update frequency (5 years) makes it challenging to keep all parties engaged.
- Transparency, Accountability and Credibility.
  - To provide transparency, accountability and credibility within the levy programs it is critical for all parties to understand what has occurred year-over-year.

Financial Stability

- The accumulative impact of leading infrastructure that is funded predominately by off-site levies places significant risk on The City if projected growth is not realized.
- It is difficult to align the provision of infrastructure with development needs due to the variability and uncertainty of development.
- Reconciling Reserve Fund Balances
  - Current methodology has led to a substantial shortfall in cost recovery related to Utilities and Environmental Protection projects.
  - Uncertainty around other funding sources (e.g., grants) to advance Transportation and Community Service projects.
  - The current update frequency (5 years) makes it challenging to keep levy programs current with changing growth and infrastructure plans.
  - How are carry forwards from previous updates handled?

Projecting Growth

- Selecting the most appropriate time horizon is challenging.
- Based on the current methodology utilized for Utilities and Environmental Protection linear infrastructure projects, if projections are not achieved it causes significant cash flow implications.

Adaptability and Flexibility

- It is challenging to adjust the delivery of projects as development timing/certainty changes (especially for leading infrastructure).
- Capital needs (e.g., recreation facilities) are always changing – hard to predict future capital needs.

Levy Update Expectations

- Amendments to the Levy Programs are expected by the end of 2020. What can be achieved in this timeframe?
- Expectations around what a levy can achieve may not be realistic.

OFF-SITE LEVY BYLAW

INDUSTRY CITY CITY AND INDUSTRY

INFRASTRUCTURE NEEDS

Adaptability and Flexibility

- The current process is rigid and does not provide much flexibility to adjust the delivery of projects as development timing/certainty changes.
- Capital needs (e.g., recreation facilities) are always changing – hard to predict future capital needs.

Transportation Timeframe

- Hard to predict infrastructure needs over a 60yr horizon.
- Projects, costs and timing are likely to change significantly.
- Short-term cash flow required to deliver infrastructure can be a challenge.

Community Services Projects

- Currently Levy Program is based on theoretical projects and not on specific projects (type, location, etc.). Is it possible to change the program to be based on identified infrastructure needs?
- Can the parameters around project funding (i.e., cash funded) be explored?

Transparency, Clarity and Accountability

- How does The City apply judgement and discretion on project inclusion?
- What are 'valid' pieces of infrastructure?
- The impact to stakeholders cannot reasonably be determined until such time as forecast and historical OSL data is shared and understood.

DETERMINATION OF BENEFIT

Transparency, Clarity and Accountability

- How does The City apply judgement and discretion on project benefit allocation?

METHODOLOGY

Water and Wastewater - Linear

- The current methodology to debt finance all water and wastewater infrastructure places significant risk on The City as this is leading infrastructure that is funded predominately by off-site levies.
- The current methodology has led to a substantial cost recovery deficit over the past 5 years.

Water and Wastewater - Treatment Plants

- Calculations need to be revisited to ensure parameters are still relevant.
- Consideration for the accumulative impact for Established Areas.

Community Services

- New methodology should be contemplated for Community Services to better align infrastructure identification and delivery with approved communities.

ADMINISTRATION

Levy Payment Timing

- Cash flow is critical to economically manage projects and generate returns and further investment.
- Current payment timing approach requires a significant amount of resources to administer and adds complexity and risk to The City, especially for leading infrastructure.

Transparency, Clarity and Accountability

- Sharing of data to demonstrate actuals vs. projections over the past 5 years.
- Implementation of audit recommendations.
- The impact to stakeholders cannot reasonably be determined until such time as forecast and historical OSL data is shared and understood.

DIRECTIONAL

CENTRE CITY LEVY BYLAW

INDUSTRY   CITY   CITY AND INDUSTRY

PRINCIPLES

Review and Confirmation

- The objectives are not clear and require collaborative development.

OPPORTUNITIES/SUCCESS

Program Approach

- Continue with utility portion and review the application of the non-utility portion.
- Formalize non-utility portion.

Development Costs

- Critical that all parties understand the overall development costs (i.e., not just the levy cost) and the value of higher density development to The City.

Expansion

- Expansion of Levy Program to other Established Areas.

CHALLENGES/RISKS

Competitiveness

- The accumulative impact of all costs on development need to be considered to ensure projects remain feasible.
- Levy impact on residential and non-residential uses should be viewed separately. Segments of the non-residential market (e.g., office) are under significant pressure due to oversupply.

Allocation of Benefit

- Current allocation of benefit for the non-utility portion of the levy does not consider contributions that rate payers have made over a significant period.
- Differentiation between lifecycle and new capacity improvements can be challenging when expanding/ retrofitting Community Service's infrastructure.

Limitations

- Inability to fund infrastructure improvements outside of the defined boundary limits The City's ability to advance infrastructure that benefits the CCL.

ADMINISTRATION

Levy Payment Timing

- Development cash flow needs to be considered when discussing levy payment timing. Cash flow is critical to economically manage projects and generate returns and further investment.
- CCL requires administrative and legal oversight to collect.

Transparency, Clarity and Accountability

- Improved report and increased oversight of the CCL has been requested for years. This is the time for administration to correct this problem.

DETERMINATION OF BENEFIT

Review of Allocation of Benefit

- This is not always a simple formula and requires significant background research to determine the appropriate allocation.

MECHANICAL

FEEDBACK LEGEND:

- Written Feedback Received (reflected verbatim)
- Feedback collected through External Advisory Group Feedback sessions

APPENDIX A

WHAT WE HEARD

DIGC + Internal Advisory Group Feedback

Directors Integrated Growth Committee

SESSION DATE: February 18, 2020

FEEDBACK:

1) Do the objectives of the OSL and CCL still resonate?

   a) Do you believe there is anything in misalignment?
   b) Are the levies achieving their objectives?

- Principles are helpful from a stakeholder management perspective as they identify what is trying to be achieved;
- Certain principles have been highlighted in the current Bylaw to specific departments / infrastructure types, and as such, are more specific to each department;
- In 2015/2016 the Principles were helpful for The City and Industry;
- Some of the Principles may be interpreted as having competing interests (e.g., Equitable and Fair may impact Competitiveness);
- Principles vs Goals. How we are going to collaborate effectively?
- Context is critical. Understanding the context indicates where The City is at. What is important at this time?
- Context has changed since the last update (e.g., guiding legislation). Perhaps the Guiding Principles are more important now than in 2015/2016 given the changes?
- It is important to go through each Guiding Principle to understand if the intent has been achieved and if any unintended consequences have emerged (e.g., Financial Sustainability, Clarity and Transparency).

2) What are the greatest challenges with the current Levy Programs (OSL/CCL)?

- Timing of review and implementation. To achieve the end of the year (December 2020) timeline, the ability to change methodology or other items may be limited;
- There are high expectations around what is going to be achieved through the Off-Site Levy Update; as such, it is important to manage these expectations.
- Balancing The City financial sustainability and business-friendly environment (competitiveness);
- Forecasting growth;
- Delivery of infrastructure. Generation of funds to be utilized through area specific approach is more problematic than city-wide approach;
- The City's cashflow is critical. This impacts The City's ability to advance.
- Should we be thinking about service level vs. risk? Are we willing to adjust the

service level provided? This may work from a transportation perspective.

3) What are the greatest risks to The City if Levy Programs are not amended?

- The utility shortfall. A significant shortfall occurred over the past 5yrs. There needs to be clarity on the 'true-up' process as the Bylaw is updated. How often does a 'true up' occur and what is to be included?
- Council's knowledge of the Levy Program and the ability to engage with Council to the extent necessary to understand their objectives for the Off-Site Levy Update.

4) What does success look like from your perspective for the OSL/CCL updates?

- Shift away from the 5yr review cycle. Perhaps more frequent project cost, development actual, etc. updates and methodology is reviewed on longer-term cycle;
- Council education and understanding of the Levy Program. Clear understanding of decision-making implications;
- Clarity and transparency. A levy that is easy to understand;
- Full transparency around all costs and clearly show any incentive/subsidization amounts.

Internal Advisory Group

SESSION DATES: March 10 and 12, 2020

One hour sessions were held with City Departments (Transportation, Utilities and Environmental Protection, Finance, Law, Community Services, Geodemographics and Corporate Economics) that are actively involved in the levy programs. Prior to the meetings a list of questions to be explored and discussed were distributed. The summary below reflects notes captured at the meetings. The feedback has been organized based on question and Department feedback for review purposes.

FEEDBACK:

1) What do you believe is the biggest challenge with the current Off-Site Levy Bylaw and Centre City Levy Bylaw?

CITY DEPARTMENT	OFF-SITE LEVY BYLAW	CENTRE CITY LEVY BYLAW
Transportation	Timeframe of Program: • 60-year outlook is challenging. • Difficult to predict capital needs. Difficult to know what transportation and transit needs will be and when they will be needed. Certainty of Development Timing: • When projects are included in approved budgets (i.e., Council direction/decision) and tied to property tax (portion of funding) it is challenging / impossible to stop even if development triggering improvement is delayed. Potential increased risk/ liability if projects are delayed. • Given the uncertainty on development timing it is challenging to predict exact timing around infrastructure needs. Impact on Cash Flow: • Education around how projects are funded and limitations around borrowing need to be understood.	No comments directly related to the Centre City Levy.

1) What do you believe is the biggest challenge with the current Off-Site Levy Bylaw and Centre City Levy Bylaw?

CITY DEPARTMENT	OFF-SITE LEVY BYLAW	CENTRE CITY LEVY BYLAW
Utilities & Environmental Protection	Adaptability: - Lack of mechanisms to adjust as things change (e.g., development timing / certainty). Current Review Timeframe: - 5-year time frame is challenging. Could updates occur more frequently? - Would this limit the impact of the "true up" (outstanding cost recovery)? - How would this impact internal capacity? Current ramp up and ramp down is challenging. Methodology: - Current economic context and methodology have resulted in a significant outstanding cost recovery. This could significantly impact the levy. - Carry forward amounts (deficit and balances) need to be handled in alignment with the current methodology and principles to reflect true up over the period of time between bylaw reviews (5 years at the moment). Otherwise, more conservative assumptions should be made to reflect the risk.	Well Defined - The Centre City area is relatively small and well defined. The density in this area does not vary significantly making it easier to predict infrastructure needs.

1) What do you believe is the biggest challenge with the current Off-Site Levy Bylaw and Centre City Levy Bylaw?

CITY DEPARTMENT	OFF-SITE LEVY BYLAW	CENTRE CITY LEVY BYLAW
Community Services	Flexibility: • Restrictions around types of facilities funds can be used for. Facility needs are always changing. Hard to predict what needs will be required in the future. • Community Services relies heavily on partnership funding models, which can change the infrastructure location, composition, etc. • Restrictions on eligible projects make it difficult to identify, accumulate and spend levy funds (e.g., police). Funding: • Fire is leading infrastructure. It can be a challenge aligning time of improvements with development certainty. • Sometimes temporary solutions are utilized until a full station is required. How does the levy play a role in supporting incremental infrastructure? Level of Service: • Typically, infrastructure is not advanced unless funds are available (i.e., tend not to be debt funded). Challenging to meet level of service expectations of the community without enough capital reserves. • How has this changed based on Council decision to advance 14 new communities? Benefiting Area: • Defining a benefiting area is challenging.	Infrastructure Needs: • Hard to understand future infrastructure needs within the Established Area. • Allocating funds to infrastructure outside of Centre City boundary if it benefits the Centre City Area. • Lifecycle improvements are a key focus in the Established Areas – it is sometimes difficult to differentiate lifecycle and new capacity improvements with improvements to existing infrastructure.

1) What do you believe is the biggest challenge with the current Off-Site Levy Bylaw and Centre City Levy Bylaw?

CITY DEPARTMENT	OFF-SITE LEVY BYLAW	CENTRE CITY LEVY BYLAW
Finance	Access and Clarity: • The Levy Programs are a complex system and as such are challenging to understand and provide clarity to all necessary parties. Payment Timing: • Current payment timing is 30% (yr 1), 30% (yr 2), 40% (yr 3). This requires a significant amount of resources to administer and adds complexity to auditing. • Lag in payment timing increases risk to City, especially for leading infrastructure.	Payment Timing • A significant amount of resources is required to provide administrative (e.g., collections) and legal oversight of the program.
Law	Regional Infrastructure: • Dealing with regional pieces of infrastructure (e.g., interchanges). • Associated cost/benefit calculations. Poor Economic Outlook/Reality: • Pressure on levy rates to not go up. • Scope of update vs. timing (end of the year expectations vs. what is possible).	Established Areas: • Complexity of modeling and determining allocation of benefit.

1) What do you believe is the biggest challenge with the current Off-Site Levy Bylaw and Centre City Levy Bylaw?

CITY DEPARTMENT	OFF-SITE LEVY BYLAW	CENTRE CITY LEVY BYLAW
Corporate Economics	Understanding/Education: • Does 'growth pay for growth'? Council/others would like the response to this question to be clear and simple (i.e., "yes"). Annual 'true-up' can help confirm this and tell the bigger picture. Timing: • Challenging to have 100% of funds prior to advancing infrastructure. Growth Projections: • Selecting the most appropriate time horizon is challenging. Longer timeframes may not be accurate, while shorter timeframes will be susceptible to fluctuations.	• No comments directly related to the Centre City Levy.
Geodemographics	Growth Projections: • Based on long-term forecast (60 years). • Predicting the time horizon to work with is extremely challenging. • Short-term increases in Development Agreements during Levy update period, results in short-term impacts. Alignment of Growth Projects and Decision-Making: • Growth forecasts are based on MDP targets. Council's decisions do not always align with MDP and targets, resulting in misalignment. Future Density: • Predicting future housing mix (density) is challenging. This directly impacts land needs.	• No comments directly related to the Centre City Levy.

2) What do you believe is the biggest risk through the current Off-Site Levy Bylaw and Centre City Levy Bylaw?

CITY DEPARTMENT	OFF-SITE LEVY BYLAW:	CENTRE CITY LEVY BYLAW
Transportation	Not Being Competitive: - Increase in the gap between The City and the County. Lack of Provincial Grants: - Grants have historically reflected a significant funding source in the past. - In some cases it would not have been possible to deliver projects if grants were not received. Clarity: - Providing clarity. Policy Alignment: - Policy alignment between growth strategy documents and the levy program. - What are the tools for financing and funding infrastructure? What is the service level wanting to be achieved? Can this differ in areas across the City. Institutional Knowledge: - Internal stewardship and ongoing education of the levy program.	- No comments directly related to the Centre City Levy.

2) What do you believe is the biggest risk through the current Off-Site Levy Bylaw and Centre City Levy Bylaw?

CITY DEPARTMENT	OFF-SITE LEVY BYLAW:	CENTRE CITY LEVY BYLAW
Utilities & Environmental Protection	Internal Cash Flow: - If a shortfall occurs, the impacts are immediate. Leading Infrastructure: - Infrastructure is leading and requires front ending (increased risk) to advance. - UEP is committed from the beginning (i.e., no ability to pull back funding). High Benefit to Growth: - Most UEP projects have a high percentage of growth benefit and are reliant on the Off-Site Levy funding source, which places a higher risk on The City of growth projections are not achieved. Variable Funding: - Funds received through the Levy Programs is uncertain. The risk of reduced levies is on The City and rate payers – cover temporary shortfalls of the levy program. - Catchment approach. If no development in catchment recovery is delayed. Accumulative Effect: - Based on the above, the risk profile to UEP if growth slows is significant.	- No comments directly related to the Centre City Levy.

2) What do you believe is the biggest risk through the current Off-Site Levy Bylaw and Centre City Levy Bylaw?

CITY DEPARTMENT	OFF-SITE LEVY BYLAW:	CENTRE CITY LEVY BYLAW
Community Services	Access to Grants: • Lack of access to grants in future. New recreation facilities usually rely significantly on grant funding. Projecting Future Needs: • Aligning projected needs within facilities with reality when constructing. Priorities (e.g., partnerships) change over time. • Methodologies around space, etc. and definitions around recreation infrastructure types are always changing. Hard to predict. Alignment: • Lack of connection between Council decision-making and levy impact. • Shifting in Council priorities can make it challenging to align. Regional: • Inability to identify infrastructure needs and willingness to contribute.	Funding Sources: • Uncertainty with future funding sources for infrastructure in Established Areas. • Lack of consideration of Community Services through exploration of alternative funding mechanisms within Established Areas.
Finance	Cash Flow: • The cash flow is impacted by growth, payment typing of the levy and the need to frontend certain types of infrastructure.	• Is the Centre City Levy the correct amount?

2) What do you believe is the biggest risk through the current Off-Site Levy Bylaw and Centre City Levy Bylaw?

CITY DEPARTMENT	OFF-SITE LEVY BYLAW:	CENTRE CITY LEVY BYLAW
Law	Expectations: • Other discussions around funding sources are underway (i.e. impact of tax shift). Expectations around what the levy can achieve will likely increase. Expectations from Council: • Expectations of change – how does this align with timing. • Provincial Adjustments to MGA	▪ No comments directly related to the Centre City Levy.
Corporate Economics	Financial Stability: • Fluctuations in growth rates put financial stability of Levy Programs at risk, specifically for front ended infrastructure and/or infrastructure that is debt financed. • Are there mechanisms that could be built into the programs that could buffer fluctuations?	▪ No comments directly related to the Centre City Levy.
Geodemographics	Financial Stability: • Short-term fluctuations are hard to predict. • Economic/global uncertainties. Growth Allocation: • Capital costs to service new areas, especially if distributed across city. Policy Alignment: • Alignment of Council decisions related to growth and achievement of Municipal Development Plan goals.	▪ No comments directly related to the Centre City Levy.

3) What do you believe success looks like for the Off-Site Levy and Centre City Levy update?

CITY DEPARTMENT	OFF-SITE LEVY BYLAW	CENTRE CITY LEVY BYLAW
Transportation	Alignment with Growth Strategies: - New communities, established communities, industrial, etc. Service Level: - What is the service level and associated level of investment desired for each area? Goals and Objectives: - Should the Bylaw include goals and objectives in addition to Guiding Principles??	- No comments directly related to the Centre City Levy.
Utilities & Environmental Protection	Sharing of Risk: - Further distribution of risk. The City currently (e.g., backstopping through utility rates) takes on the risk. Common Understanding: - Increased literacy around the levy programs. - Risks and connection to utility rates understood.	- Levy to continue within existing boundary and update of rates.
Community Services	Transparency and Clarity: - Decisions made are easily understood by Council, public and Industry. Flexibility: - Flexibility on project location, timing, etc., which is understood by Council and Industry.	- No comments directly related to the Centre City Levy.

3) What do you believe success looks like for the Off-Site Levy and Centre City Levy update?

CITY DEPARTMENT	OFF-SITE LEVY BYLAW	CENTRE CITY LEVY BYLAW
Finance	Partnership: - Relationship with development community improves. Education: - Improved understanding of levy programs, including Council, Industry and administration.	- No comments directly related to the Centre City Levy.
Law	Removal of Unknowns: - Making unknowns known so you can analyze the impacts. Partnership: - Support from stakeholders for Bylaw. Alignment: - Alignment/compliance with legislation. What does Success look like for Council? - Growth pays for growth - Calgary is competitive - Tools for Established Area	- No comments directly related to the Centre City Levy.
Corporate Economics	Partnership: - All parties (internal/external) have increased confidence in the levy process and calculations.	
Geodemographics	- No comments received.	- No comments received.

4) What do you believe is the biggest opportunity through the current Off-Site Levy Bylaw and Centre City Bylaw?

CITY DEPARTMENT	OFF-SITE LEVY BYLAW	CENTRE CITY LEVY BYLAW
Transportation	Clarity: • Through annual report. Education/capacity building: • Understanding of process and components contained within the Levy.	▪ No comments directly related to the Centre City Levy.
Utilities & Environmental Protection	Departure from Debt Approach: • Exploration of different methodology to recover costs that does not require debt funding. Growth Forecasting: • Utilization of actuals opposed to back casting based on MDP (60-year objectives). Update Frequency: • Potential alignment of levy updates with budget (full/mid) cycles. • Exploring more frequent updates. Perhaps only certain elements of the levy are updated more frequently (i.e., fund balances, project costs, etc.). Shared Risk: • Explore opportunities to share risk with Industry.	▪ No comments directly related to the Centre City Levy.

4) What do you believe is the biggest opportunity through the current Off-Site Levy Bylaw and Centre City Bylaw?

CITY DEPARTMENT	OFF-SITE LEVY BYLAW	CENTRE CITY LEVY BYLAW
Community Services	Capacity Building/Stewardship: • Increased knowledge around the Levy Program and Community Services specific role within the Programs. • Ongoing stewardship of Levy Programs opposed to ramp up and ramp down period every 5 years. Regional Partnerships: • Working with regional neighbours to identify infrastructure that benefits the region and share in capital contributions. Adaptability/Flexibility: • Ability to adjust based on development certainty, evolving recreational needs, etc. Outdoor Recreation: • Investigate the inclusion of outdoor recreation in the Levy Program. Alignment: • Clear connection between Council decisions and Levy impact (capital needs, project prioritization, etc.).	• No comments directly related to the Centre City Levy.

4) What do you believe is the biggest opportunity through the current Off-Site Levy Bylaw and Centre City Bylaw?

CITY DEPARTMENT	OFF-SITE LEVY BYLAW	CENTRE CITY LEVY BYLAW
Finance	Update Frequency: • Adjust full updates to 4 year cycles to align with budget cycle. Reduction of Administrative Needs: • Establish minimum dollar amount to execute an Off-Site Levy agreement. • Significant administrative burden if dollar amount is too small. • Adjust timing to reduce administrative burden. Analysis: • Ability to conduct analysis more frequently and quickly to make good decisions. Communication/Education: • Increase communication and understanding around the challenges The City faces related to the Levy Programs. Levy Amalgamation: • Amalgamate the levies. Does this make it easier to understand?	Established Area: • Expansion of levy program to Established Areas.

4) What do you believe is the biggest opportunity through the current Off-Site Levy Bylaw and Centre City Bylaw?

CITY DEPARTMENT	OFF-SITE LEVY BYLAW	CENTRE CITY LEVY BYLAW
Law	Capacity Building: • Laws involvement in the full process - not just involved in reviewing and drafting bylaw. Ongoing, dedicated resources to steward levy programs. • Long-term stewardship is the focus not just updating the bylaw. • Share/information on how the levies can be used. City Building: • Explore legislative ability to determine what is needed for city growth – not restricted to a list. Tracking/Reporting: • Simplify reporting. Centralize location for data? Improvement in Clarity: • Level of detail required to paint the full picture. • Simplicity - easy to understand how the numbers are generated, what was spent, etc. Bylaw Language: • Opportunities to reduce confusion in bylaw language. Items of learning over the past 5 years.	• Formalize non-utility portion of Centre City Levy.
Corporate Economics	New Legislation: • What opportunities does the City Charter bring. Growth Projections: • Focus on future projections opposed to historical/ back casting. Projects based on shorter timeframe (5 to 10 years).	• No comments directly related to the Centre City Levy.
Geodemographics	Unit of Application: • Exploration of per unit (sq. ft.) charge opposed to hectares to account for shifting housing mix (densities).	• No comments directly related to the Centre City Levy.

5) Has your department achieved their capital delivery goals over the past 5 years?

CITY DEPARTMENT	OFF-SITE LEVY BYLAW	CENTRE CITY LEVY BYLAW
Transportation	Capital Planning pproach: - Council/department approach to capital planning adjusted in 2018. - Ten-year capital planning shifted to a 4-year capital planning horizon. Levy Alignment: - Hard to ensure capital delivery goals are met as timing shifts based on Council budget and priorities. This does not always align with the levy updates. - Growth priorities within the Off-Site Levy do not always align with One Calgary. Right Time, Right Value, Right Place: - Inability to stop projects that don't meet the criteria as development timing/certainty shifts. This can impact alignment.	- No comments directly related to the Centre City Levy.
Utilities & Environmental Protection	Yes; however many other factors need to be considered, such as: - Regulatory requirements need to be considered and may impact project delivery. - Challenging to shift projects if not required (based on development timing) as they are tied to Council decisions.	- No comments directly related to the Centre City Levy.

5) Has your department achieved their capital delivery goals over the past 5 years?

CITY DEPARTMENT	OFF-SITE LEVY BYLAW	CENTRE CITY LEVY BYLAW
Community Services	Multiple Tools: • The ability to leverage multiple funding tools, including levies, has been effective for the delivery of Community Service projects Libraries: • Achieved capital delivery goals. Police: • Currently undergoing a service optimization review. Recreation Centres: • Currently reviewing needs for all services.	• Limited area and current requirements make it challenging to fund projects.
Finance	▪ No comments received.	▪ No comments directly related to the Centre City Levy.
Law	▪ No comments received.	▪ No comments received.
Corporate Economics	▪ No comments received.	▪ No comments received.

6) Has the levy offered an effective tool to cost recover for this capital? If so, why not?

CITY DEPARTMENT	OFF-SITE LEVY BYLAW	CENTRE CITY LEVY BYLAW
Transportation	Risk: • There is significant risk to The City if the levy money does not come in. • Shifted allocation approach in 2015 – more standardized.	▪ No comments directly related to the Centre City Levy.
Utilities & Environmental Protection	Depends on the Infrastructure: • Treatment has been effective as it is less reliant on growth forecasts as its easier to delay upgrades as needed.	▪ No comments directly related to the Centre City Levy.
Community Services	▪ No comments received.	▪ No comments received.
Finance	▪ No comments received.	▪ No comments received.
Law	▪ No comments received.	▪ No comments received.
Corporate Economics	▪ No comments received.	▪ No comments received.

7) How has program performance impacted perspective on effectiveness of future levy programing?

a) How would you describe the levy program's performance relative to results anticipated 5 years ago?

CITY DEPARTMENT	OFF-SITE LEVY BYLAW	CENTRE CITY LEVY BYLAW
Transportation	▪ No comments received.	▪ No comments received.
Utilities & Environmental Protection	▪ No comments received.	▪ No comments received.
Community Services	▪ No comments received.	▪ No comments received.
Finance	Looking forward – how would we assess success? Minimal gap between forecast and actuals? What checks and balances do we (City) have in place (e.g., costs)? Should the levy go up by CPI or some other factor?	▪ No comments directly related to the Centre City Levy.
Law	▪ No comments received.	▪ No comments received.
Corporate Economics	▪ No comments received.	▪ No comments received.

b) How has this impacted your perspective on the effectiveness of the levy programs moving forward?

CITY DEPARTMENT	OFF-SITE LEVY BYLAW:	CENTRE CITY LEVY BYLAW
Transportation	▪ No comments received.	▪ No comments received.
Utilities & Environmental Protection	▪ No comments received.	▪ No comments received.
Community Services	▪ No comments received.	▪ No comments received.
Finance	▪ No comments received.	▪ No comments received.
Law	▪ No comments received.	▪ No comments received.
Corporate Economics	▪ No comments received.	▪ No comments received.

8) Do the guiding principles still resonate?

CITY DEPARTMENT	OFF-SITE LEVY BYLAW	CENTRE CITY LEVY BYLAW
Transportation	The following three principles should be reviewed. - Certainty - Benefit Allocation - Competitiveness - When discussing the guiding principles, the service level differences within different areas of The City should be discussed – help guide different investment priorities.	- No comments received.
Utilities & Environmental Protection	Outstanding Cost Recovery: - Handling of outstanding cost recovery should align with guiding principles (e.g., equity and allocation of benefit).	- No comments received.
Community Services	Tighten Up: - There are too many and some are legislated and perhaps redundant.	- No comments received.
Finance	- No comments received.	- No comments received.
Law	- No comments received.	- No comments received.
Corporate Economics	- No comments received.	- No comments received.

9) Do you see any challenges with the current guiding principles to achieve your department's goals?

CITY DEPARTMENT	OFF-SITE LEVY BYLAW	CENTRE CITY LEVY BYLAW
Transportation	▪ No comments received.	▪ No comments received.
Utilities & Environmental Protection	Tighten Up: • Potentially tighten up the principles.	▪ No comments received.
Community Services	Review: • It would be valuable to review the Guiding Principles from the Community Services context as Community Services is now formally a part of the Bylaw.	▪ No comments received.
Finance	Tighten Up: • Lots of overlap. Potentially tighten up the principles.	▪ No comments received.
Law	Tighten Up: • Reduce/merge where possible. • Remove those found in legislation.	▪ No comments directly related to the Centre City Levy.
Corporate Economics	▪ No comments received.	▪ No comments received.

FEEDBACK LEGEND:

- Written Feedback Received (reflected verbatim)
- Feedback collected through External Advisory Group Feedback sessions

APPENDIX B

WHAT WE HEARD

External Advisory Group Feedback

External Advisory Group

SESSION DATE: February 19, 2020

FEEDBACK: Following the presentation, a general discussion ensued. Below is the feedback received through the dialogue. No formal questions were asked at this working session as education around the Levy Programs was the intent.

OVERALL OFF-SITE LEVY BYLAW COMMENTS:

- How often does the levy programs get "trued up"? Perhaps they should be checked more often to eliminate significant discrepancies / fluctuations?
- How are the levies reconciled at the end of program duration (5yrs in this case)?
- How will the projects for water and sewer infrastructure be identified? It is our understanding that The City has moved away from the 10-year capital planning.
- Annual inflation increases applied to the levies, 3.3% in some cases, are high.
- For community services, were the costs reviewed related to the level of service to be provided for the facilities?
- Is there enough information in Area Structure Plans to know exactly where community service facilities will be located?
- Better information is required around the facilities for industry to confirm the numbers are correct.

OVERALL CENTRE CITY LEVY COMMENTS:

- How does The City determine the projects to be included and the allocation of benefit?
- Industry tends to accept the rational around the utility portion of the Centre City Levy. Industry questions the approach to the non-utility portion. More consideration needs to go into the non-utility portion.
- Would The City be looking at a levy program like the Centre City Levy for the entire established area? There may be some benefit in expanding the levy program to the established area, but we need to think about it within the overall context – all the considerations and clearly understand what we are trying to achieve?
- The Centre City Levy Bylaw has been successful because it helped with the utility side of things. Previously, Industry was unable to find out if a site was developable from a utility perspective until far into the process.
- Industry understands capacity constraints are a big problem in the established area, leading to "first in" challenges, especially with linear infrastructure.

External Advisory Group - BILD Feedback

BILD submitted written responses to the below questions prior to the March 4, 2020 meeting. On March 4, 2020 a meeting was held to ensure responses were fully understood and captured correctly. The feedback below is a summary of the written and verbal responses received from BILD.

OFF-SITE LEVY - GENERAL:

1) What do you believe is the biggest challenge with the current Off-Site Levy Bylaw program?

- The OSL process is data driven. To date industry has not been able to examine the data and results from the previous five year, challenging our ability to evaluate the effectiveness of the program. This has promoted industry concerns about transparency, accountability and credibility.
- BILD is concerned about the continued promotion of the narrative that "growth doesn't pay for growth," particularly for New Communities. From the industry's perspective, the OSL program clearly established a regime where "growth pays for growth."
- The OSL unspent balance is in excess of $375 million, based on the most recent (2018) publicly available OSL report. Industry cannot reconcile the position that there is lingering risk to The City when OSL balances/funding appear to be substantial.

- Industry needs to see and understand the data. What occurred from 2016-2020? Is it reconciling appropriately?
- There is a perception that capital is just sitting and not being utilized.
- Annual understanding is necessary to understand the "why" of certain trends and to build overall education of levy participants.
- Clearly articulating the levy programs to elected officials can be a challenge, but is critical so they can respond to comments from the public accurately.

- The October 15, 2019, City Auditors' Off-site Levy Annual Reporting Audit creates concerns regarding the credibility and usefulness of the OSL report. This supports industry's request for data with which to review and confirm findings. Industry feels stymied by The City in its request for a full and transparent disclosure of OSL data. Over 120 days have elapsed since BILD/ Industry initially engaged with The City on the matter of the OSL Audit findings, to no avail.
- Different uses, like industrial and commercial lands, have different demand projections than residential and may impact a levy applicable to residential

lands based on factors that are decided on by The City.

- Industrial and commercial markets are different from residential. Should they be treated differently within the levy programs? City/Industry need to be thoughtful of these differences through any updates.
- The non-residential market is drastically impacted by Council and other factors.

2) What do you believe is the biggest risk to the development industry through the Off-Site Levy update?

- The following risks shared by both the development industry and The City of Calgary may reduce development in Calgary, resulting in reduced OSL collection, reduced tax generation from growth and property value uplift, further flight of investment capital from The City and may harm future collaboration between The City and Industry:
  - Incomplete or unsatisfactory work in directly addressing the issues which have resulted in diminished credibility of the OSL program.
  - A process with results in OSLs or, the aggregate of OSLs and other development/building fees levied by The City, which otherwise render development uneconomic. Levies increasing to a point where development becomes unfeasible; if growth has not progressed as previously assumed it will cause an increase in the OSL that will make Calgary uncompetitive and further reduce ability to meet growth projections.
- Not achieving growth projects could be a consequence of levies being too high.
- Levies tend to represent 1/3 of development costs in the greenfield context – this is significant; however, other costs related to development also need to be considered.

3) What does success look like from your perspective for the Off-Site Levy update?

- Shared success between the development industry and The City of Calgary is achieved by:
  - Complete and mutually satisfactory work in directly addressing the issues, noted in Q1, to strengthen transparency and accountability in the OSL program;
  - A process with results in OSLs or, the aggregate of OSLs and other

development/building fees levied by The City, which otherwise promote economic and orderly development for The City AND Industry and which support the New Community, Established Area and Industrial Growth strategies.

- The Off-Site Levy should align with the broader objectives/strategies of The City.
  - A transparent, data driven process, resulting in agreement as it relates to the discretionary components of the OSL calculations which both The City and development industry can support as fair and reasonable. The resulting agreement being something that industry and City Administration can rigorously advocate for and defend; messaging to industry, Council, & Administration is consistent and defensible to halt the "growth doesn't pay" rhetoric.
- Forecasts vs. actuals need to be understood. How does a "true up" happen? How does this inform moving forward?
- The Off-Site Levy should enable growth.

4) What do you believe is the biggest opportunity for the development industry through the Off-Site-Levy update?

- Shared opportunities between the development industry and The City of Calgary are achieved by:
  - Successfully addressing the issues, noted in Q1, above, to strengthen transparency and accountability in the OSL program; and
  - A process with results in OSLs or, the aggregate of OSLs and other development/building fees levied by The City, which otherwise promote economic and orderly development for The City AND Industry and which support the New Community, Established Area and Industrial Growth strategies.
- An integrated approach is necessary to align objectives, strategy, data with the Off-Site Levy update.

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OFF-SITE LEVY - GUIDING PRINCIPLES:

5) Do the Off-Site Levy guiding principles still resonate?

CONSIDERATIONS	CONCERNS	IMPACT TO STAKEHOLDER	POTENTIAL ALTERNATIVE OPTION(S) TO CONSIDER	PRIORITIZATION
	As to whether the Off-Site Levy guiding principles (above) still resonate—yes, the "headline" principles do, however, BILD/Industry hold a different view as to the definitions which are shown in the Potential Alternative Options to Consider. BILD would like to work through the guiding principles through the update process. Overall, the 'buckets' are good but could be tailored and customized to the current context.	The "definitions" after the "headline" principles, above, appear to be written from The City's perspective only and do not take into account Industry's perspective.	Guiding Legislation: Clear, demonstrated, compliance with the MGA Certainty: Quarterly OSL balances reporting to industry and timely annual (immediately after release of The City's year-end audited results) fully detailed reporting on OSL balances and transactions (reporting to the project level) Policy Alignment: Clear, demonstrated, compliance with the MGA AND competitive promotion/facilitation of New Community, Established Area, City Centre, and Industrial growth in Calgary Achievement should be viewed/ established as a shared success. Financial Sustainability: Competitively promotes and facilitates New Community, Established Area, City Centre, and Industrial growth in Calgary. Benefit Allocation: Property taxes pay for services and capital maintenance, OSLs pay for growth capacity Fairness + Equity: "Growth pays for growth—no less, no more", intergenerational equity, OSL contributions result in constructed capacity for growth.	☒ Critical ☐ Would like to Discussion Further ☐ Further Understanding Desired but Not Critical

CONSIDERATIONS	CONCERNS	IMPACT TO STAKEHOLDER	POTENTIAL ALTERNATIVE OPTION(S) TO CONSIDER	PRIORITIZATION
			• Clarity + Transparency: Provision of any and all information required to demonstrate and confirm any and all data used or needed to be used in the review and determination of OSLs is accurate, complete and verifiable. • Accountability: Clear accountability for timely, accurate reporting within CGS/ P&D and demonstrated compliance with the MGA • Collaboration: Joint Industry—City (or independent—i.e. fully arms-length from The City and Industry) annual review of the OSL accounting and balances. • Efficiency: Demonstration of lowest reasonable cost alternatives, competitive bidding on projects, time effective spend, appropriate stewardship/maximization of levy balances (i.e. interest), leveraging of City capital spending and purchasing power, etc. • Competitiveness: City policies competitively promotes and facilitates private investment in New Community, Established Area, City Centre, and Industrial growth in Calgary	

OFF-SITE LEVY - GUIDING PRINCIPLES - CONTINUED:

6) Do the principles align with the application of the of the Off-Site Levy Program?

CONSIDERATIONS	CONCERNS	IMPACT TO STAKEHOLDER	POTENTIAL ALTERNATIVE OPTION(S) TO CONSIDER	PRIORITIZATION
	.	Incomplete or unsatisfactory work in directly addressing the issues which have resulted in diminished credibility of the OSL program A process with results in OSLs or, the aggregate of OSLs and other development/building fees levied by The City, which otherwise render development uneconomic Levies increasing to a point where development becomes unfeasible; if growth has not progressed as previously assumed it will cause an increase in the OSL that will make Calgary uncompetitive and further reduce ability to meet growth projections		☒ Critical ☐ Would like to Discussion Further ☐ Further Understanding Desired but Not Critical

OFF-SITE LEVY MECHANICS:

Determination of Infrastructure Needs:

7) Do you have any concerns related to the determination and inclusion of infrastructure within the off-site levy program?

CONSIDERATIONS	CONCERNS	IMPACT TO STAKEHOLDER	POTENTIAL ALTERNATIVE OPTION(S) TO CONSIDER	PRIORITIZATION
GROWTH PROJECTIONS ▪ Determination of future infrastructure based on growth projections and patterns ▪ Growth metric	Yes—BILD/Industry hold significant concerns related to the determination and inclusion of infrastructure within the Off-Site Levy Program. The forecast period is long (e.g. for Transportation, 60 years). This can result in many changes to projects, their costs and their timing. Growth projections for non-residential uses are directly affected by greater factors, such as taxes, specifications and flexibility of land uses. This could cause inequity in certain catchments for storm that cannot be equitably supported by residential only.	The impact to Stakeholders cannot reasonably be determined until such time as forecast and historical OSL data (i.e. forecast growth as of 2015/16, forecast projects to accommodate growth as of 2015/16, actual growth, infrastructure projects completed, infrastructure project cost, OSL allocation on a project by project basis, etc.) has been made available to BILD/Industry.	Collaboration between The City of Calgary and BILD/Industry where all OSL data (i.e. forecast growth as of 2015/16, forecast projects to accommodate growth as of 2015/16, actual growth, infrastructure projects completed, infrastructure project cost, OSL allocation on a project by project basis, etc.) is provided in a timely fashion for all parties to review and assess and the data can be verified as complete and accurate.	☒ Critical ☐ Would like to Discussion Further ☐ Further Understanding Desired but Not Critical
PROJECT INCLUSION ▪ Determination of what projects are included within the levy program: o As outlined through legislation o City to build through levy program versus infrastructure built by development industry ▪ Level of estimates for future projects.	Yes—BILD/Industry holds concerns related to the determination and inclusion of infrastructure within the Off-Site Levy Program. BILD/Industry seek to understand how The City applies judgement and discretion on project inclusion and OSL allocation.	The impact to Stakeholders cannot reasonably be determined until such time as forecast and historical OSL data (i.e. forecast growth as of 2015/16, forecast projects to accommodate growth as of 2015/16, actual growth, infrastructure projects completed, infrastructure project cost, OSL allocation on a project by project basis, etc.) has been made available to BILD/Industry.	Collaboration between The City of Calgary and BILD/Industry where all OSL data (i.e. forecast growth as of 2015/16, forecast projects to accommodate growth as of 2015/16, actual growth, infrastructure projects completed, infrastructure project cost, OSL allocation on a project by project basis, etc.) is provided in a timely fashion for all parties to review and assess and the data can be verified as complete and accurate.	☒ Critical ☐ Would like to Discussion Further ☐ Further Understanding Desired but Not Critical

OFF-SITE LEVY MECHANICS - CONTINUED:

Determination of Benefit

8) Do you have any concerns related to the allocation of benefit utilized within the Off-Site Levy Program?

CONSIDERATIONS	CONCERNS	IMPACT TO STAKEHOLDER	POTENTIAL ALTERNATIVE OPTION(S) TO CONSIDER	PRIORITIZATION
FUTURE GROWTH, EXISTING AREAS AND REGIONAL?	Yes—BILD/Industry holds concerns related to the determination and inclusion of infrastructure within the Off-Site Levy Program. BILD/Industry seek to understand how The City applies judgement and discretion on project inclusion and OSL allocation.	The impact to Stakeholders cannot reasonably be determined until such time as forecast and historical OSL data (i.e. forecast growth as of 2015/16, forecast projects to accommodate growth as of 2015/16, actual growth, infrastructure projects completed, infrastructure project cost, OSL allocation on a project by project basis, etc.) has been made available to BILD/Industry. To be able to fully comment on the Impact to Stakeholders, BILD needs to understand how judgment and discretion are applied in both the formulation of data underpinning the Levy calculations (the forecast) and on an as incurred (actuals) basis, with respect to the allocation of benefit.	Collaboration between The City of Calgary and BILD/Industry where all OSL data (i.e. forecast growth as of 2015/16, forecast projects to accommodate growth as of 2015/16, actual growth, infrastructure projects completed, infrastructure project cost, OSL allocation on a project by project basis, etc.) is provided in a timely fashion for all parties to review and assess and the data can be verified as complete and accurate.	☒ Critical ☐ Would like to Discussion Further ☐ Further Understanding Desired but Not Critical

OFF-SITE LEVY MECHANICS - CONTINUED:

Calculation Methodology

9) Do you have any concerns related to the Off-Site Levy calculation methodology currently utilized?

CONSIDERATIONS	CONCERNS	IMPACT TO STAKEHOLDER	POTENTIAL ALTERNATIVE OPTION(S) TO CONSIDER	PRIORITIZATION
APPLICATION OF LEVY ▪ Multiple levies (i.e., Off-Site Levy and Centre City Levy) ▪ Geography (greenfield, established areas, etc.) ▪ Land Uses (residential vs. non-residential) ▪ Area specific vs city wide	Yes—BILD/Industry hold concerns related to the Off-Site Levy calculation methodology currently utilized, and the Application of the Levy. Those concerns have been indicated in various ways throughout this document.	The appropriateness of the OSL calculation methodology cannot be determined until such time as forecast and historical OSL data (i.e. forecast growth as of 2015/16, forecast projects to accommodate growth as of 2015/16, actual growth, infrastructure projects completed, infrastructure project cost, OSL allocation on a project by project basis, etc.) has been made available to BILD/ Industry. To be able to fully comment on the appropriateness of the OSL calculation methodology, BILD needs to understand, among other things, how judgment and discretion are applied in both the formulation of data underpinning the Levy calculations (the forecast) and on an as incurred (actuals) basis, with respect to the allocation of benefit.	Collaboration between The City of Calgary and BILD/Industry where all OSL data (i.e. forecast growth as of 2015/16, forecast projects to accommodate growth as of 2015/16, actual growth, infrastructure projects completed, infrastructure project cost, OSL allocation on a project by project basis, etc.) is provided in a timely fashion for all parties to review and assess and the data can be verified as complete and accurate..	☒ Critical ☐ Would like to Discussion Further ☐ Further Understanding Desired but Not Critical
PROGRAM TYPE AND TIMEFRAMES ▪ Revolving window vs buildout ▪ Length of programs	BILD/Industry are unable to provide meaningful comment on these consideration until the OSL forecast and historical data it has referenced throughout the responses to these questions has been provided and BILD/Industry have had the opportunity to review and come to a common understanding of the data with The City.	Again, the evaluation of the OSL calculation methodology cannot reasonably occur until such time as data has been provided (as noted throughout), on a project by project basis.	Collaboration between The City of Calgary and BILD/Industry where all OSL data (i.e. forecast growth as of 2015/16, forecast projects to accommodate growth as of 2015/16, actual growth, infrastructure projects completed, infrastructure project cost, OSL allocation on a project by project basis, etc.) is provided in a timely fashion for all parties to review and assess and the data can be verified as complete and accurate..	☒ Critical ☐ Would like to Discussion Further ☐ Further Understanding Desired but Not Critical
UNITS OF CHARGE ▪ Ha ▪ By Unit ▪ Gross floor area	See above	See above	See above.	☒ Critical ☐ Would like to Discussion Further ☐ Further Understanding Desired but Not Critical

OFF-SITE LEVY MECHANICS - CONTINUED:

Administration

10) Do you have any concerns related to the administration of the Off-Site Levy Program?

CONSIDERATIONS	CONCERNS	IMPACT TO STAKEHOLDER	POTENTIAL ALTERNATIVE OPTION(S) TO CONSIDER	PRIORITIZATION
APPROACH ▪ Trigger for payment (e.g., subdivision, Development Permit, etc.) ▪ Payment phasing (timing and percentages)	Yes—aspects of the approach to the administration of the Off-Site Levy Program raise potential concerns for BILD/Industry. Cash flow to Developers is critical to being able to economically manage projects and generate returns which will result in further investment/ reinvestment.	In the absence of a specific proposal by The City of Calgary and pending production of the detailed forecast and actual data emanating from the 2015/16 OSL Bylaw, it is difficult to develop any reasonable assessment of an Impact to Stakeholders.	Collaboration between The City of Calgary and BILD/Industry where all OSL data (i.e. forecast growth as of 2015/16, forecast projects to accommodate growth as of 2015/16, actual growth, infrastructure projects completed, infrastructure project cost, OSL allocation on a project by project basis, etc.) is provided in a timely fashion for all parties to review and assess and the data can be verified as complete and accurate...	☒ Critical ☐ Would like to Discussion Further ☐ Further Understanding Desired but Not Critical
TRACKING AND REPORTING	Yes—the City of Calgary Auditors' October 15, 2019 OSL Audit Report creates concerns with OSL Tracking and Reporting.	BILD/Industry acknowledge that the OSL Audit was undertaken at the request of CSG. BILD/Industry support that move as prudent and appropriate. However, the nature and seriousness of the findings of City of Calgary Auditors' October 15, 2019 OSL Audit Report, have affected the confidence of BILD/Industry in the overall OSL process. The confidence of BILD/Industry can be recovered through diligent, timely and complete responses to BILD/Industry's requests for data.	Collaboration between The City of Calgary and BILD/Industry where all OSL data (i.e. forecast growth as of 2015/16, forecast projects to accommodate growth as of 2015/16, actual growth, infrastructure projects completed, infrastructure project cost, OSL allocation on a project by project basis, etc.) is provided in a timely fashion for all parties to review and assess and the data can be verified as complete and accurate..	☐ Critical ☐ Would like to Discussion Further ☐ Further Understanding Desired but Not Critical

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CENTRE CITY LEVY - GENERAL:

> **NOTE:** *Questions were amended by BILD to add discussion points around the Established Area. This is outside the scope of the current Levy Programs under review through the Stakeholder-Focused Assessment, but it is recognized that these discussions will ensue through the Levy Updates and has been included in the Appendix for future reference. Questions and responses focused on the proposed Established Area Levy have been* <u>*underlined*</u> *for the reviewer's clarity.*

1) What are the biggest challenges with the current and proposed programs?
   a) What do you believe is the biggest challenge with proposed <u>Established Area Levy program</u>?

- BILD/Industry are aware that The City is potentially developing an Established Area Levy to support and promote Established Area growth and the Established Area growth strategy. BILD/Industry have included comments/ responses with respect to the prospect of an Established Area Levy in this section.
- <u>The development of an Established Area Levy or Levies beyond the current Water Treatment and Waste Water Treatment currently applied in Established Areas is uniquely challenging. BILD/Industry support the formation of a subcommittee to the current Joint Committee of BILD members, NAIOP members and The City to focus parallel efforts establishing the scope and foundational elements of a prospective Established Area Levy. Both BILD and NAIOP would appropriately supplement the subcommittee with additional member expertise To do otherwise may risk unnecessary delay on progress toward the development of the OSL Levy for New Communities, the City Centre Levy and, importantly, establishing the scope and foundational elements of a prospective Established Area Levy.</u>

- Established areas is uniquely challenging, could be very complex – how best to discuss? BILD would recommend a subcommittee be created? Establishing the scope of the review/potential program is critical.

b) What do you believe is the biggest challenge with the current Centre City Levy Program?

- Entrenching a community services levy (non-voluntary) will be very difficult to link benefiting area. How are existing taxpayers factored into investment decisions?
- At some point existing property tax payers have not received much in the way of re-investment of their money; any public amenity that is not infrastructure required for new development (pipes, plants, electric etc.) should be 100% funded from property tax.

2) What do you believe is the biggest risk to the development industry through the proposed Established Area Levy program?

- A process resulting in Established Area OSL(s) or, the aggregate of Established Area OSL(s) and other development/building fees levied by The City, which otherwise render or are otherwise perceived to render Established Area development uneconomic. Additional costs (even if reasonable) cannot be taken on without addressing the ones that are not (building permits, density bonus, bonding). Additionally, there are numerous City of Calgary Established Area development policy initiatives currently in various stages of development and consultation. BILD/Industry believe that the number of policy initiatives is overwhelming Industry and The City at the moment and risks overlooking unintended consequences which may actually result in disincentive to and reduced Established Area redevelopment.

- The accumulative impact of all costs on development need to be understood and tested to ensure there is still value to construct/advance projects.

3) What does success look like from your perspective for the proposed Established Area Levy program?

- A process with results in Established Area OSL(s) or, perhaps more clearly, the aggregate of Established Area OSL(s) and other development/building fees levied by The City, which clearly support and facilitate Established Area development AND are perceived to do that. Appropriately addressing the secondary factors noted in the response to Q2, above, will further support success.

4) What do you believe is the biggest opportunity for the development industry through the Centre City Levy update and proposed Established Area Levy Program?

- A process with results in Established Area OSL(s) or, perhaps more clearly, the aggregate of Established Area OSL(s) and other development/building fees levied by The City, which clearly support and facilitate Established Area development AND are perceived to do that.
- Appropriately addressing the secondary factors noted in the response to Q2 and Q3, above, will further support success. In an effort to support success, BILD/Industry reaffirm willingness to engage with The City in a constructive dialogue to support evaluation of the Established Area development policy initiatives prior to their implementation.

CENTRE CITY - OBJECTIVES:

5) Are the Established Area Levy objectives clear?

CONCERNS	IMPACT TO STAKEHOLDER	POTENTIAL ALTERNATIVE OPTION(S) TO CONSIDER	PRIORITIZATION
No, they require collaborative development and work toward common understanding	See responses to Q1 through Q4, above,	As noted in the response to Q1, above, BILD/Industry support the formation of a subcommittee to the current Joint Committee of BILD members, NAIOP members and The City to focus parallel efforts establishing the scope and foundational elements of a prospective Established Area Levy. Both BILD and NAIOP would appropriately supplement the subcommittee with additional member expertise whose time and effort could be brought to the Established Area Levy development task. To do otherwise risk unnecessary delay on progress toward the development of the OSL Levy for New Communities, the City Centre Levy and, importantly, establishing the scope and foundational elements of a prospective Established Area Levy.	☒ Critical ☐ Would like to Discussion Further ☐ Further Understanding Desired but Not Critical

CENTRE CITY - OBJECTIVES - CONTINUED:

6) Do the objectives align with the application of the Established Area Levy?

CONCERNS	IMPACT TO STAKEHOLDER	POTENTIAL ALTERNATIVE OPTION(S) TO CONSIDER	PRIORITIZATION
The objectives have not be definitively or expressly articulated.	See responses to Q1 through Q4, above,	As noted in the response to Q1, above, BILD/Industry support the formation of a subcommittee to the current Joint Committee of BILD members, NAIOP members and The City to focus parallel efforts establishing the scope and foundational elements of a prospective Established Area Levy including an agreed to expression of objectives. Both BILD and NAIOP would appropriately supplement the subcommittee with additional member expertise whose time and effort could be brought to the Established Area Levy development task. To do otherwise risk unnecessary delay on progress toward the development of the OSL Levy for New Communities, the City Centre Levy and, importantly, establishing the scope and foundational elements of a prospective Established Area Levy	☒ Critical ☐ Would like to Discussion Further ☐ Further Understanding Desired but Not Critical

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CENTRE CITY - MECHANICS:

Determination of Infrastructure Needs:

7) Do you have any concerns related to the determination and inclusion of infrastructure within the Established Area Levy program?

CONSIDERATIONS	CONCERNS	IMPACT TO STAKEHOLDER	POTENTIAL ALTERNATIVE OPTION(S) TO CONSIDER	PRIORITIZATION
GROWTH PROJECTIONS ▪ Determination of future infrastructure ▪ Growth metric	Yes—the inclusion of infrastructure and how that inclusion is allocated and financed will likely have significant impact on the economic viability of Established Area projects.	See responses to Q1 through Q4, above,	As noted in the response to Q1, above, BILD/Industry support the formation of a subcommittee to the current Joint Committee of BILD members, NAIOP members and The City to focus parallel efforts establishing the scope and foundational elements of a prospective Established Area Levy including detailed work on the determination and inclusion of infrastructure supporting Established Area development and growth. Both BILD and NAIOP would appropriately supplement the subcommittee with additional member expertise whose time and effort could be brought to the Established Area Levy development task. To do otherwise risk unnecessary delay on progress toward the development of the OSL Levy for New Communities, the City Centre Levy and, importantly, establishing the scope and foundational elements of a prospective Established Area Levy.	☒ Critical ☐ Would like to Discussion Further ☐ Further Understanding Desired but Not Critical
PROJECT INCLUSION ▪ Determination of what projects are included within the levy program: o As outlined through legislation – Utility portion (water and sewer mains) o Non-Utility Portion (Community and Recreation Infrastructure, Alternative Transportation Infrastructure, Local and Regional Parks and Pathways and 13 Ave Greenway) o Specific projects selected ▪ Level of estimates for future projects.	See above	See above	See above	☒ Critical ☐ Would like to Discussion Further ☐ Further Understanding Desired but Not Critical

CENTRE CITY - MECHANICS - CONTINUED:

Determination of Benefit

8) Do you have any concerns related to the allocation of benefit?

CONSIDERATIONS	CONCERNS	IMPACT TO STAKEHOLDER	POTENTIAL ALTERNATIVE OPTION(S) TO CONSIDER	PRIORITIZATION
The primary consideration must be support of economic, market-driven Established Area development/ growth.	As a new prospective Levy (in addition to the existing Water and Waste Water Levy, a further Established Area Levy needs to be thoughtfully considered. Focused effort with dedicated resourcing from both The City and Industry is required for success.	See responses to Q1 through Q4, above.	As noted in the response to Q1, above, BILD/Industry support the formation of a subcommittee to the current Joint Committee of BILD members, NAIOP members and The City to focus parallel efforts establishing the scope and foundational elements of a prospective Established Area Levy including all aspects of detailed of levy work, analysis and testing supporting Established Area development and growth. Both BILD and NAIOP would appropriately supplement the subcommittee with additional member expertise whose time and effort could be brought to the Established Area Levy development task. To do otherwise risk unnecessary delay on progress toward the development of the OSL Levy for New Communities, the City Centre Levy and, importantly, establishing the scope and foundational elements of a prospective Established Area Levy.	☒ Critical ☐ Would like to Discussion Further ☐ Further Understanding Desired but Not Critical

CENTRE CITY - MECHANICS - CONTINUED:

Calculation Methodology

9) Do you have any concerns related to the levy calculation methodology utilized?

CONSIDERATIONS	CONCERNS	IMPACT TO STAKEHOLDER	POTENTIAL ALTERNATIVE OPTION(S) TO CONSIDER	PRIORITIZATION
APPLICATION OF LEVY ▪ Boundary extent (i.e., Centre City)	Provided that the Established Area Levy boundary is clearly fairly and reasonably discussed and agreed to, no.			☐ Critical ☐ Would like to Discussion Further ☒ Further Understanding Desired but Not Critical
PROGRAM TYPE AND TIMEFRAMES ▪ Buildout ▪ Length of programs	Yes—detailed, focused work including analysis and testing, will be required to assure success.	See responses to Q1 through Q4, above	As noted in the response to Q1, above, BILD/Industry support the formation of a subcommittee to the current Joint Committee of BILD members, NAIOP members and The City to focus parallel efforts establishing the scope and foundational elements of a prospective Established Area Levy including all aspects of detailed of levy work, analysis and testing supporting Established Area development and growth. Both BILD and NAIOP would appropriately supplement the subcommittee with additional member expertise whose time and effort could be brought to the Established Area Levy development task. To do otherwise risks unnecessary delay on progress toward the development of the OSL Levy for New Communities, the City Centre Levy and, importantly, establishing the scope and foundational elements of a prospective Established Area Levy.	☒ Critical ☐ Would like to Discussion Further ☐ Further Understanding Desired but Not Critical
UNITS OF CHARGE ▪ Frontage (m)	See above	See above	See above.	☒ Critical ☐ Would like to Discussion Further ☐ Further Understanding Desired but Not Critical

CENTRE CITY - MECHANICS - CONTINUED:

Administration

10) Do you have any concerns related to the administration of the Established Area program?

CONSIDERATIONS	CONCERNS	IMPACT TO STAKEHOLDER	POTENTIAL ALTERNATIVE OPTION(S) TO CONSIDER	PRIORITIZATION
APPROACH ▪ Trigger for payment (e.g., Permit, etc.) ▪ Payment phasing (timing and percentages)	Yes—all aspects of the approach to the administration of an Established Area Levy Program necessarily concerns for BILD/Industry. Cash flow to Established Area developers is critical to being able to economically manage projects and generate returns which will result in further investment/reinvestment.	See responses to Q1 through Q4, above.	As noted in the response to Q1, above, BILD/Industry support the formation of a subcommittee to the current Joint Committee of BILD members, NAIOP members and The City to focus parallel efforts establishing the scope and foundational elements of a prospective Established Area Levy including all aspects of detailed of levy work, analysis and testing supporting Established Area development and growth. Both BILD and NAIOP would appropriately supplement the subcommittee with additional member expertise whose time and effort could be brought to the Established Area Levy development task. To do otherwise risk unnecessary delay on progress toward the development of the OSL Levy for New Communities, the City Centre Levy and, importantly, establishing the scope and foundational elements of a prospective Established Area Levy.	☒ Critical ☐ Would like to Discussion Further ☐ Further Understanding Desired but Not Critical
TRACKING AND REPORTING	BILD/Industry do not wish to belabor comments in respect of transparency, accuracy, timeliness of reporting, noted in its responses in the OSL section, above. Clearly The City understands the ability of an OSL regime to support the desired attraction of investment relies on, amongst other things, the underlying credibility of that OSL with investors or in this case, an Established Area developer.	See above	See above	☒ Critical ☐ Would like to Discussion Further ☐ Further Understanding Desired but Not Critical

External Advisory Group - NAIOP Feedback

NAIOP submitted written responses to the below questions prior to the March 4, 2020 meeting. On March 4, 2020 a meeting was held to ensure responses were fully understood and captured correctly. The feedback below is a summary of the written and verbal responses received from NAIOP.

OFF-SITE LEVY - GENERAL:

1) What do you believe is the biggest challenge with the current Off-Site Levy Bylaw program?

- Finding a balance between the levy rate that does not discourage development and ensures affordability for consumers.

- Overall competitiveness is critical. How does this compare within the region?
- Application of the Levies to non-residential uses (e.g., application of the community services levy to industrial uses).

2) What do you believe is the biggest risk to the development industry through the Off-Site Levy update?

- The implementation of new levy rates causes developers to shelve projects and discourages investment by the Industry.

- Uncertainty balanced with competitiveness. Need to be aware/cautious of impacts.
- Overall affordability for consumers – this needs to be thought through comprehensively.

3) What does success look like from your perspective for the Off-Site Levy update?

- Success would be the implementation of a levy system that encourages development in all sectors of The City.

- A levy system that encourages the development of all uses within The City.
- Current application of certain aspects of the Off-Site Levy to non-residential uses (e.g., community services) discourages development.

4) What do you believe is the biggest opportunity for the development industry through the Off-Site-Levy update?

- Off-site levies should provide a mechanism to expedite and encourage development by negating the need for a developer to shoulder all the cost for infrastructure upgrades that service more than an individual development.
- The biggest opportunity is when this system works effectively (city front ends) and encourages development while providing a recovery mechanism for the municipality.

- Off-Site Levies should provide a certainty factor to encourage development.
- Can't wait for Levy balances to build up. The City needs to frontend.

OFF-SITE LEVY GUIDING PRINCIPLES:

5) Do the Off-Site Levy guiding principles (above) still resonate?

- Yes, the principles still resonate. There was a great deal of time and effort put into agreeing with these principles in 2015.

a) Concerns:

- There has been some discussion about the Principle of Competitiveness. The concern is an interpretation of ' Ensure that the economic competitiveness for The City of Calgary is of primary concern'.
- Is this referring to the Corporation (city of Calgary) or is it referring to the actual city as a whole? From my recollection it is referring to the whole city as being competitive

6) Do the principles align with the application of the of the Off-Site Levy Program?

- Yes. As stated above, these principles were developed in 2015 for that very reason.

OFF-SITE LEVY MECHANICS:

Determination of Infrastructure Needs:

7) Do you have any concerns related to the determination and inclusion of infrastructure within the off-site levy program?

- Yes. This is one of the fundamental inputs to the levy calculations and the Industry and The City must decide together what determines a 'valid' piece of infrastructure and whether it should be included in the calculations. This was a key to the results of the OSL rates in 2015. It will be no different in 2020.

Determination of Benefit

8) Do you have any concerns related to the allocation of benefit utilized within the Off-Site Levy Program?

- Yes. Allocation of benefit is not always a simple formula and will require a great deal of background (research) work to be completed to decide what is the appropriate allocation. Further, this will require some level of subjectivity and collaboration for certain types of infrastructure.

- Allocation of benefit to Established Areas (e.g., Treatment Plants) will be a challenge.

Calculation Methodology

9) Do you have any concerns related to the Off-Site Levy calculation methodology currently utilized?

- Yes. The methodology for water and wastewater plants must be revisited to understand if the parameters that were used in 2015 (e.g., Amortization period) are still valid now that the plants have capacity for a longer time period due to the slowdown in population growth.

Administration

10) Do you have any concerns related to the administration of the Off-Site Levy Program?

- Yes. The City undertook an audit of the OSL reporting and associated administration because it knew there were issues that an audit would highlight. The City agreed to all the audit recommendations and hired a team to oversee all work related to the Levy programs. It is incumbent on The City to show Industry that the issues have been addressed and fixed. Until that time there will be concerns.
- The work described above should not impede the new Bylaw work unless The City halts fixing outcomes from the audit process.

CENTRE CITY LEVY - GENERAL:

1) What do you believe is the biggest challenge with the current Centre City Levy Program?

- The challenge will be for The City to encourage development and redevelopment in the Center City if the results of the Levy review suggest an increase in levy rates when the industry can least afford it.

- Competitiveness is critical. Some non-residential uses (i.e., office space) are under significant pressure do to oversupply. There needs to be a comprehensive market understanding.
- Aggregate costs to development need to be understood.
- Rate payers in the Established Area have been paying for a significant period. The non-utility portion of the Centre City Levy should be paid through these rate payer contributions. The current allocation of benefit for the non-utility portion does not consider these contributions.

2) What do you believe is the biggest risk to the development industry through the Centre City Levy update?

- The City will raise levy rates without thorough conversation with the Industry. This will depress development. There must be complimentary funding sources to keep levies manageable.

- The City receives significant value over the long term from higher density development. This needs to be considered when discussing complimentary funding sources (i.e. future property taxes).

3) What does success look like from your perspective for the proposed Centre City Levy update?

- As the current levy is working it would make some sense to simply continue with the status quo. With respect to reporting the C.C levy must have the same level of oversight and project detail that is expected by the Greenfield developers.

- Certainty is key.
- Willingness by The City to look at the methodology, specifically the application of the non-utility portion. Overall development costs need to be considered and competitive.

4) What do you believe is the biggest opportunity for the development industry through the Centre City Levy update?

- If The City choses to open the C.C Levy, it is only for purposes/issues detailed by the Industry. In other words if the Industry has identified some issues it would like to see addressed, then The City would deal with these objectives immediately.
- There is value to The City over the long term through denser development (e.g., creation of higher value to operating).

CENTRE CITY OBJECTIVES:

5) Are the Centre City objectives clear?

- For some. A review and reaffirmation of the objectives is needed.
- Are the principles different from the Off-Site Levy?

6) Do the objectives align with the application of the Centre City Levy?

- See Q5.

CENTRE CITY MECHANICS:

Determination of Infrastructure Needs:

7) Do you have any concerns related to the determination and inclusion of infrastructure within the Centre City Levy program?

- Yes. See above (same answer) for OSL's.

Determination of Benefit

8) Do you have any concerns related to the allocation of benefit?

- Yes. See above (same answer) for OSL's.
- The Established Areas will be a challenge – e.g., Treatment Plants.

Calculation Methodology

9) Do you have any concerns related to the levy calculation methodology utilized?

- Only if the intent is to open the C.C levy completely.

Administration

10) Do you have any concerns related to the administration of the Centre City Levy program?

- Yes. See above (same answer) for OSL's.
  Note: Change (improved) of reporting and increased oversight for the C.C Levy has been requested for years. This is the time for administration to correct this problem.

External Advisory Group

Feedback Received at Joint Committee Meetings

The summary below represents feedback shared at the Joint Committee meetings on April 1 and April 29, following presentations by City Departments (Utilities and Environmental Protection, Transportation and Community Services).

Utilities and Environmental Protection

- How are levy balance shortfalls / surpluses reconciled? How was this handled in 2015/2016? How does this impact the levy rate?
- What is the makeup of the Water/Wastewater Treatment Plant calculations?
- Are interest rates to be reviewed?

Transportation

- How does transportation infrastructure align with growth strategies?
- Project estimates and the classification used should be reviewed? How do project estimates and actuals get reconciled?
- The transportation levy time period should be adjusted. It is too long.
- The transportation levy amount should be reviewed. Is the correct/necessary infrastructure captured in the levy program?
- How do grants get handled? Are grants only applied to the City portion?
- It appears that the Transportation levy will be in a deficit position in the future. How does the shortfall impact the levy?

Community Services

- What projects are needed over the time frame? Why isn't there a list of projects? How are these projects forecast?
- How is Community Service infrastructure funded?
- Is there an opportunity to advance projects without cash in place?
- Is a new methodology being contemplated for the recreation portion? Is there a way to better align future infrastructure needs with the approved communities?

June 25, 2020

Honourable Tanya Fir
Minister of Economic Development, Trade and Tourism
425 Legislature Building
10800 - 97 Avenue NW
Edmonton, AB
Canada T5K 2B6

RE: BILL 23, COMMERCIAL TENANCIES PROTECTION ACT

Dear Minister Fir,

We thank you for the opportunity to provide our comments on Bill 23, the Commercial Tenancies Protection Act. NAIOP Calgary BOMA Calgary have solicited the views of our members and compiled their comments and concerns in the Appendix to this letter. Our memberships include the major commercial landlords in Calgary. We have also been in touch with our colleagues at NAIOP Edmonton and BOMA Edmonton regarding Bill 23 and are aware that they are submitting a letter similarly requesting changes to Bill 23.

We agree with the intent of the proposed legislation, that landlords and qualifying tenants should work together to access provincial and federal CECRA funds or enter into rent deferral arrangements where necessary. However, it is our view that Bill 23 would be a significant overreach of legislation into private contracts. Tenants are the lifeblood of commercial real estate. Landlords recognize that and are prepared to work with viable tenants to preserve these long-term relationships. However, we feel this can be better accomplished by limiting the applicability of Bill 23 to CECRA-eligible tenants. As it stands, the proposed legislation would apply to all commercial tenancies in Alberta and adversely affect the investment in the $7.4 billion commercial real estate industry. The presumption behind this legislation is that landlords have the balance sheets to survive this severe economic disruption but tenants, large or small, do not. We wish to challenge that presumption.

We request a meeting with your Ministry to discuss these urgent topics. We can be available at your convenience. In the meantime, we have attached, as Appendix 1, a list of our specific concerns about Bill 23.

Sincerely, on behalf of, NAIOP

Guy Huntingford
Director Strategic Initiatives
NAIOP Calgary

Sincerely, on behalf of, BOMA

Lloyd Suchet
Executive Director
BOMA Calgary

APPENDIX 1

Applicability

If the legislation goes forward without amendments, tenants (large and small) with strong balance sheets will have leverage to stop payments with no consequence. This could lead to a crisis in liquidity for the real estate industry and eventually commercial mortgage holders, banks, and investors.

We recommend the legislation only apply to CECRA-eligible tenants, as is the case in Ontario and BC. Small business tenants that meet the threshold for eligibility under CECRA should receive rent assistance. These businesses might not survive otherwise, so we would welcome legislation that compels recalcitrant landlords to apply for CECRA benefits on behalf of such tenants.

Rent Escalation

Contractual rent escalations are an important mechanism used by commercial tenants and landlords to negotiate a total rent obligation over the term of the lease. The step-up in rent is often predetermined years in advance and so is distinct from supposed "profit taking". These are known and expected costs. This is very different (for example) than the unilateral right of a residential landlord to increase rent for a month-to-month tenant. Commercial tenancies don’t include the notion of a unilateral right to increase rent. As such, we would recommend the legislation only restrict rent increases that were agreed to after March 17, 2020.

Incompatibility with CECRA

When a landlord applies under the CECRA program for a forgivable loan and enters into the rent reduction agreement with its tenant, the landlord agrees that it will not terminate the lease for non-payment of rent for the months of April, May & June, and agrees to forgo at least 25% of the rent for those three months. Bill 23 would appear to override the tenant’s obligation to pay 25% of the rent for April – June, or at least override the landlord’s ability to treat such non-payment as a default under the CECRA program. Bill 23 would also extend non-eviction protection to tenants to July and August without the protections provided by the CECRA program, only the legislated requirement to enter into an ill-defined rent deferral agreement, referred to as a “payment plan.”

Payment Plans

Section 6 of Bill 23 mandates that landlords and tenants enter into a payment plan for deferral of rent for the period covered by this proposed legislation (March 17 – August 31) but doesn’t provide minimum criteria for this plan. If the parties, acting in good faith, cannot agree to a payment plan, the consequence might be that the tenant can treat this as a substantial breach of the lease and treat the lease as at an end. This would be a severe and unfair consequence. It is unclear whether the CECRA rent reduction agreement would qualify as a payment plan – it is a rent reduction rather than a rent deferral plan.

Remedies

The proposed legislation currently defines COVID-19 as constituting a force majeure event or, in the absence of such a clause in a lease, as an event that allows invocation of the doctrine of frustration of contract. The problem with the latter is that the only remedy (to date) where a contract is deemed to be frustrated is a declaration that the contract is of no further force or effect. The reason force majeure clauses exist is to allow the landlord and tenant to agree that the event will only delay the obligation to perform, not end the contract itself. We recommend that this provision of the proposed legislation be removed.

Regulations

Section 10 of Bill 23 allows cabinet to substantially amend the Act through regulations. While we respect that the economic situation caused by the COVID-19 pandemic requires urgent government action, we would appreciate the opportunity to work with your government in drafting these regulations. The powers delegated to Minister to make changes to the Act through regulations are substantive. As important as it is to allow our industry to comment on and effect reasonable amendments to the proposed legislation, it is equally important to allow us the same level of participation in the drafting of these substantive regulations.

Planning & Development Report to
Priorities and Finance Committee
2020 April 29

ISC: UNRESTRICTED
PFC2020-0381

Established Area Growth and Change Strategy 2020: Phase 1 Recommendations

EXECUTIVE SUMMARY

The recommendations of this report have been considered in the context of the COVID-19 emergency, however the vast majority of the supporting work was completed during the pre-COVID-19 period. The full financial impact to The City from COVID-19 is not yet fully known. As this report includes recommendations related to the One Calgary service plan and budget, and a review of capital project funding and delivery is underway, the outcomes of this report will be considered within the budgetary and project delivery framework.

The Established Area Growth and Change Strategy (the “Strategy”) was directed by Council in 2018 September (PFC2018-0891). It is the second part of the comprehensive city-wide growth strategy that began with the New Community Growth Strategy and includes the future Industrial Area Growth Strategy.

This work proposes making investments that can help deliver great communities for existing and future residents, and it identifies process improvements and the development of financial tools that will enable growth, boost investor confidence and certainty, and attract private investment to partner with public investments in communities. This work helps implement policy goals through strategic investments in redeveloping communities.

The four factors that support this decision making are: (1) aligning with long term Municipal Development Plan/Calgary Transportation Plan (MDP/CTP) policies, (2) meeting existing market demand, (3) considering financial impacts, and (4) ensuring redevelopment readiness of existing communities.

Phase 1 results include:

1. A recommended $30M City investment program in the public realm and an identified $5.4M budget allocation for utilities in the Phase 1 growth areas that supports an estimated 190 construction jobs, $28M in Gross Domestic Product (Value Added) and $71M in additional sales for the Calgary Economic Region in this budget cycle (Attachments 1, 2 and 4);
2. A recommendation to develop an off-site levy, in consultation with stakeholders, for local-sized water and sanitary pipes in the established area to provide cost certainty and predictability for developers (Attachment 3);
3. A property tax uplift pilot, for this budget cycle, in the North Hill Communities Local Area Plan (Attachment 3); and
4. Process and policy improvements that enable growth and support growing communities (Attachment 2).

The Strategy is part of a group of interconnected planning initiatives, known as the *Next Generation Planning System,* which will improve the way we plan Calgary’s future and help us implement and realize the MDP and its policies (see Attachment 6). Many of these initiatives are being worked on in parallel, including the pilot multi-community Local Area Plan for North Hill, and this Strategy.

Following this report, the Strategy work shifts into implementation of the recommended Phase 1 actions, as well as leading into a Phase 2 which is an expansion of this work in advance of the next budget cycle (Attachment 7).

Administration would like to acknowledge and thank the many businesses, community members, partners and development industry representatives that have contributed to the results of this work.

Approval(s): **Dalgleish, Stuart** concurs with this report. Author: **Kalmakoff, Lesley**
City Clerks: J. Palaschuk

Planning & Development Report to Priorities and Finance Committee
2020 April 29

ISC: UNRESTRICTED
PFC2020-0381

Established Area Growth and Change Strategy 2020: Phase 1 Recommendations

ADMINISTRATION RECOMMENDATION:

Administration recommends* that the Priorities and Finance Committee recommends that Council:

1) Review the portfolio of public realm and utility investments, as indicated in Attachment 1, to be funded by the Established Area Investment Fund (public realm) and redirected capital budget (utilities), and:
   Approve a capital budget request for Budget Id 481650 “Public Realm (EAGCS) of $11.7M in 2021 and $18.3M in 2022, funded by the Established Area Investment Fund.

2) Direct Administration to develop:
   a) A new Established Area off-site levy for local-sized water and sanitary pipes, through consultation with stakeholders, and for Council’s consideration, as part of the current Off-site Levy Bylaw review;
   b) A two-year pilot Tax Uplift program in the North Hill Communities Local Area Plan to support future growth-related public realm investments; and
   c) In Phase 2, additional financial tools and strategies for public realm investment and replenishment of the Established Area Investment Fund, as listed in Attachment 3.

3) Approve the Request to Create a New Reserve and associated Terms and Conditions for the Established Area Investment Fund (Attachment 4).

4) Direct Administration to continue Phase 2 of the Established Area Growth and Change Strategy work as defined in a Phase 2 Work Plan (Attachment 7) and bring back the next round of recommendations, no later than 2022 November, in coordination with the 2023-2026 business plan and budget cycle.

*The full financial impact to The City of the COVID-19 emergency is not yet understood. A comprehensive review of capital project funding and delivery is underway.

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Established Area Growth and Change Strategy 2020: Phase 1 Recommendations

RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE*, 2020 APRIL 29:

That Council:

1. Review the portfolio of public realm and utility investments, as indicated in Attachment 1, to be funded by the Established Area Investment Fund (public realm) and redirected capital budget (utilities), and:
Approve a capital budget request for Budget Id 481650 “Public Realm (EAGCS) of $11.7M in 2021 and $18.3M in 2022, funded by the Established Area Investment Fund.

2. Direct Administration to:

a. **Explore** a new Established Area off-site levy for local-sized water and sanitary pipes, through consultation with stakeholders, and for Council’s consideration, as part of the current Off-site Levy Bylaw review;

b. **Develop** a two-year pilot Tax Uplift program in the North Hill Communities Local Area Plan to support future growth-related public realm investments; and

c. **Explore** additional financial tools and strategies for public realm investment in Phase 2 and replenishing the Established Area Investment Fund, as listed in Attachment 3, **with a report back with preliminary recommendations through the Priorities and Finance Committee by end of Q4 2020.**

3. Approve the Request to Create a New Reserve and associated Terms and Conditions for the Established Area Investment Fund (Attachment 4).

4. Direct Administration to continue Phase 2 of the Established Area Growth and Change Strategy work as defined in a Phase 2 Work Plan (Attachment 7) **in collaboration with the Phase 1 stakeholders**, and bring back the next round of recommendations, no later than 2022 November, in coordination with the 2023-2026 business plan and budget cycle.

5. Direct that Administration explore allocating the funding for Pumphouse Park Improvements (Attachment 1) to Sunalta Community Hub Area Improvements.

*The full financial impact to The City of the COVID-19 emergency is not yet understood. A comprehensive review of capital project funding and delivery is underway.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2020 February 3, Council approved Notice of Motion PFC2020-0131 regarding “Identifying a Funding Source for Public Realm Improvements in Established Areas.” This Notice of Motion provides $30 million of funding towards public realm improvements in Phase 1 Established Areas. It also directs Administration to outline an investment decision framework in the 2020 May Phase 1 report, develop a Terms of Reference for the fund, and explore the opportunities to replenish the fund to ensure continued investment in redeveloping areas.

Additional previous direction is included in Attachment 6.

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Established Area Growth and Change Strategy 2020: Phase 1 Recommendations

BACKGROUND

The Strategy was directed by Council in 2018 September (PFC2018-0891), as a second part of the city-wide growth strategy that began with the New Community Growth Strategy and includes the future Industrial Area Growth Strategy. This work identifies focus areas and proposes investments that can help deliver great communities for existing and future residents consistent with the Municipal Development Plan (MDP) and enable growth through the efficient use of land and existing services. This Strategy supports Calgary's Comeback and is intended to help boost investor confidence and attract private investments to partner with public investments in existing communities.

This work was a collaboration between community and business stakeholders, shallow utility providers, development industry representatives, and City staff in various departments. Together, solutions were developed based on the current development context in Calgary.

This project is being undertaken in two phases. Phase 1 identified short-term actions and piloted a growth-related decision framework for actioning public realm and utility investments (Attachment 2) that align with guiding project factors. Phase 1 is foundational to Phase 2, which provides the opportunity to further develop and implement the more complex actions that have been identified to support growing communities.

As articulated in the PUD2019-0305 Update Report, Phase 1 was anticipated to identify growth areas with a higher likelihood to experience short-term redevelopment, to initiate proposals that include public investment opportunities that complement anticipated growth and change and private sector investment, and to identify funding, financing, and planning tools that could be deployed to support each proposed growth area. Investments were to be recommended through the 2020 November Mid-Cycle budget, and improvements and tools would be implemented as required. The Update Report also outlined the case for why investment in existing communities is important to the overall city.

As a part of the Next Generation Planning program of work (Attachment 6), the Strategy links into the broader effort to deliver policy and implementation tools that better support the redevelopment context in Calgary.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

The Next Generation Planning System (Attachment 6) includes important and complementary foundations of both policy and investment. The Strategy identifies ways to intentionally support strategic growth in the established area, in alignment with and in support of the long-term MDP/CTP and Local Area Plan policy goals. This is through investments in public realm and infrastructure for existing and future residents and businesses of redeveloping communities. While being done in parallel with the initial Local Area Plans, the future phases will work to complement modern growth-enabling policy with public realm investment as local growth is realized.

To accomplish this, the framework for making growth planning recommendations in established areas is based on alignment with the MDP/CTP policies, meeting market demand, redevelopment readiness and consideration of the financial impacts and benefits of growth. Phase 1 proposes investments and process and policy improvements that can enable growth while supporting great communities for existing and future residents and businesses.

Investments are largely targeted for communities with current growth pressures and anticipated continued market interest, while the actions will be available in these areas and other redeveloping areas in the city.

Public realm and utility investments are outlined in Attachment 1, through a flexible program-level list of identified projects. The decision framework used to arrive at the list is included in Attachment 2 along with a summary of process and policy improvements that support the readiness of areas to receive growth. Attachment 3 outlines the related financial strategy under development. The elements identified in Attachments 1, 2, and 3 were developed through 2019-2020 in collaboration with stakeholders through Advisory and Working Groups and connections with members of Community Associations and Business Improvement Areas.

MDP/CTP Alignment

This Strategy is meant to align with the goals of the MDP by identifying areas and proposing investments that can help deliver great communities for existing and future residents, and enable growth through the efficient use of land and existing services. This supports moving Calgary towards outcomes identified in Sections 2.2, 3.5, and 5.2.4 of the MDP, including a more compact urban form, and supports intensification of the Developed Residential Areas. The CTP encourages transportation investment to support choice and capacity in intensifying areas. These goals in the MDP/CTP are also broadly aligned with other approved Council policies, including the Climate Resilience Strategy (Action 6.2) and the Resilience Strategy.

Market Demand

Strategic, sustainable growth in established areas is best achieved by coordinating The City's investment and policy efforts with areas of demonstrated market potential. Investment in these areas is anticipated to provide benefits to citizens and further encourage private redevelopment interest. As Phase 1 targets short-term investment and effort to prove the concept, four target areas were identified, using a short-term market potential analysis (Attachment 2). The Phase 1 analysis relied upon seven factors and over 20 indicators such as: development activity, housing stock change, policy status, existing amenities, housing prices, demographics, and community lifecycle. The methodology for market-based analysis was further vetted with industry stakeholders to ensure it fairly represented market expectations.

Growth areas identified for Phase 1 follow local area plan boundaries (as of 2019 November) rather than individual communities to align with the emerging multi-community Local Area Plan framework. This recognizes that local markets are not typically constrained by community boundaries and often share key corridors, amenities, and business areas. It also allowed the benefit of investment to be considered over a wider area.

Redevelopment Readiness

Redevelopment in established areas often involves additional complexity relative to other areas of the city. This term reflects the readiness of an area grow and change, and includes current and future land use, occurrence of under-density developments, areas of approved post-MDP local area policy, areas of market attractiveness, community lifecycle, community readiness to receive redevelopment, and the level of knowledge about the local infrastructure context. The focus of Phase 1 has been on areas showing strong redevelopment readiness, where City-led investment can be leveraged with private investments to achieve the goals of this Strategy.

Established Area Growth and Change Strategy 2020: Phase 1 Recommendations

Growth-enabling local area policy indicates the readiness of communities for redevelopment and subsequent investment in public realm and infrastructure.

Readiness was used to help identify the Phase 1 growth areas and public realm investments were identified in consultation with community representatives. Several process and policy improvements identified for Phase 1 also support the evolution of established areas into a state of readiness. Attachment 5 outlines the learnings related to utility networks in the established area and important considerations in how growth-related investment in infrastructure can support redeveloping communities.

Process and policy improvements that support redevelopment readiness that are being implemented include:

1. Adjusting business practices to increase applicant awareness and access to utility information at an early stage in the redevelopment process (Attachment 2);
2. Incorporating lessons learned from the first stage of Main Streets project delivery, and gathering information and perspective on existing density bonusing programs to inform Phase 2 work;
3. Supporting policy development by creating policy content for local area plans and the Guidebook for Great Communities, and identifying market areas to inform the sequencing of work on new Local Area Plans; and
4. Reviewing pertinent existing utility standards in the established area to improve understanding of their origin and purpose (Attachments 2 and 5).

Financial Impact

The financial impacts of the Strategy should be considered in terms of both the availability of City funds to support this initiative and the impact to The City, stakeholders, and to the broader economy.

The first part of the financial work focused on developing growth area proposals for the Phase 1 areas (Attachment 2) that outlined meaningful and tangible investments in public amenities and infrastructure that could support growth, create jobs and alleviate growth-related pressures. This report identifies a $30M portfolio of investments in the public realm and a budget allocation of $5.4M for investment in water and sanitary utilities (aligned with Main Street streetscape improvements) to be delivered over the remaining One Calgary (2019-2022) service plan and budget, the portfolio of investments is outlined in Attachment 1. This level of investment supports an estimated 190 construction jobs, $28M in GDP and $71M in additional sales for the Calgary Economic Region in this budget cycle.

In 2020 February, Council directed $30M to support this initiative that appropriately complements the number of identified public realm projects that can be delivered in 2021-2022. Funding for utility upgrades required considerations for budget redirections within the Water and Wastewater service lines.

The second part of the financial work in Phase 1 was to examine available financial tools in a Calgary context, and to identify and advance the most appropriate tools to support short-term investment in public realm and infrastructure in growth areas. The progress of this work through 2019 is outlined in Attachment 3. This work is foundational to the continued efforts of the Strategy into Phase 2 to identify sustainable longer-term tools for this purpose.

Established Area Investment Fund: To support the Strategy to be a long-term and sustainable program focused on public improvements, Administration is recommending the approval of a new reserve (Recommendation 4 and Attachment 4) called the Established Area Investment Fund. This reserve will be monitored, evaluated and reported on through the annual growth monitoring report and the annual corporate reporting on the status of reserves and liabilities and also be included in the triennial reserve review. Sources of funds for this reserve are discussed below.

Phase 1 Funding Mechanisms

Public Realm Investment - For funding Phase 1 investment, a Notice of Motion (PFC2020-0131) was approved by Council that identified an initial $30 million from the Corporate Fiscal Stability Reserve (FSR) for public realm improvements. These funds will be held in the Established Area Investment Fund and will enable the delivery of the recommended portfolio of public realm projects outlined in Attachment 1.

Property Tax Uplift Pilot: Administration is also recommending property tax uplift reinvestment as a funding tool for public realm improvements (Recommendation 2b, and Attachment 3). In the short term, this will be piloted in the North Hill Communities Local Area Plan to gauge the effectiveness of this tool prior to consideration for more broad application for the 2023-2026 budget cycle. Tax uplift refers to the increase in the property taxes of a property due to the redevelopment of that property. The strength of this tool is that it is easy to draw the link of investment in public realm infrastructure to growth. The weakness of this tool is that growth is variable and uncertain, it can allocate revenue away from other City priorities, and there could be long delays between realized growth and tangible local investment. If successful, this tool could be used to help replenish the Established Area Investment Fund and contribute to future public realm investments in established areas. In the North Hill pilot, revenues generated through this pilot will be reinvested in the North Hill communities. The effectiveness of geographic based property tax investment will be evaluated through the pilot.

Utility Investment – Two water and sanitary utility upgrades have been identified within Phase 1 to support priority Main Streets projects, at an estimated value of $5.4 million with construction timing to be coordinated with Main Streets streetscape construction.

Capital Program Prioritization: In support of the Strategy and Main Streets programs, upgrades to water and sanitary were identified around 17 Avenue SW and 33 Avenue SW. The limited existing program budgets within the Water and Wastewater services lines are being redirected to fund these upgrades. A dedicated capital program with increased funding specific to this initiative may be required in the 2023-2026 budget cycle and beyond as Phase 2 is developed and implemented.

Established Area Off-Site Levy: To provide cost certainty to developers in the established area, it is recommended that further work on the development of a levy for local-sized water and sanitary infrastructure be included in the ongoing review of the Off-Site Levy Bylaw (Recommendation 2a). This approach would be guided by current provincial legislation to help offset the financial risk and uncertainty of upgrades that may be triggered by redevelopment (sometimes referred to as the ‘first in’ problem). This work would involve extensive stakeholder consultation and be presented to Council for a final decision along with the review of the Off-site

Levy Bylaw. This concept was advanced through the Utilities Working Group, part of the engagement framework for the Strategy.

Conclusion: Phase 1 Findings and Outcomes

Phase 1 respected the timeframe for this work related to budget decisions, and identified short term actions, as well as developed the foundation of work that will continue into Phase 2. Phase 1 actions include:

1. A $30 million investment program in public realm and a $5.4 million planned investment in utilities in the Phase 1 growth areas (Attachments 1 and 2),
2. Process and policy improvements that support ongoing redevelopment, growth and change across all established areas (Attachment 2); and
3. The implementation of funding mechanisms to enable the delivery of identified investments (Attachments 3 and 4).

Recommended investments include a portfolio of growth-related public realm enhancements including transportation, traffic calming, pedestrian elements, and improvements to public spaces. Additional planned investments include utility upgrades to water and sanitary networks. Beyond addressing growth pressures in established areas, and delivering on policy objectives, it is expected that this investment in the 2019-2022 budget cycle will support an estimated 190 construction jobs in Calgary and $28M in Gross Domestic Product (Value Added) to Calgary Economic Region with additional total sales of $71M.

Process and policy improvements include changes to the development application process to provide improved information related to utilities, a simplified policy environment that is integrated with implementation, and the consideration of a new off-site levy in established areas to fund local-sized water and sanitary pipe upgrades. Some appropriate financial and planning tools were identified to advance these actions and were either fully or partially developed in the time available in Phase 1.

Phase 2 of the Strategy

Stakeholders were involved in the development of the Phase 2 Work Plan (Attachment 7). All stakeholder groups identified the critical importance of this work in supporting growing communities, and the need to develop more sustainable, permanent solutions through Phase 2. Phase 2 includes the development of annual monitoring and reporting on the impacts of the Phase 1 investments in supporting development projects and the delivery of public realm and infrastructure projects. This will be done with the New Community annual growth monitoring report. Administration will bring the next set of established areas capital investment recommendations in coordination with the 2023-2026 business plans and budget process, and in conjunction with the rest of the city-wide growth strategy, the Transit Oriented Development (TOD) Strategy, and the Main Streets program.

Stakeholder Engagement, Research and Communication

Stakeholders were engaged through a working group framework consisting of an Advisory Group and four working groups. Participation and perspective from stakeholders was key to building a foundation for the Strategy. The working groups each focused on unique elements of the Strategy (Attachment 8). Stakeholders represented communities, the Federation of Calgary Communities, Business Improvement Areas, shallow utility providers, the development industry (including NAIOP and BILD-Calgary Region) and Administration. Over 70 external individuals participated in Phase 1. Letters from stakeholders are included in Attachment 9.

The Advisory Group identified a set of principles as a foundation for how this project would be undertaken, as well as establishing a consensus model for decision-making. The Advisory Group provided critical guidance at key points in Phase 1. The working groups collaborated to identify the basic challenges in growing established areas that were related to public environment, deep and shallow utilities and financial, planning and policy tools.

The project team used web updates, information packages, meetings and emails to share information with Council and stakeholders throughout 2019. Information was also shared through Next Generation Planning projects. The Advisory Group and working groups were asked to share project information with their community and industry contacts.

Strategic Alignment

Attachment 6 outlines the strategic alignment of this work with policies like the MDP, CTP, Next Generation Planning System, the Calgary Climate Resilience Strategy, Resilient Calgary Strategy and Council's Priorities.

Social, Environmental, Economic (External)

<u>Social</u>
Facilitating growth in established communities supports the vibrancy and diversity of communities by sustaining public infrastructure and amenities to support a changing population and a range of housing choices that includes mid-density options. Investment in infrastructure supports development that can increase housing variety and affordability, providing opportunities for populations that are diverse both demographically and economically. Supporting the redevelopment and growth of communities can positively impact social inclusion, enhance accessibility standards and aging in community options for current and future residents.

<u>Environmental</u>
This work supports the goals of Calgary's Municipal Development Plan to foster a compact urban form. This limits the environmental footprint of the city by creating a more efficient use of land and infrastructure services. A more compact population supports infrastructure that provides mobility choices and the policies supporting transportation modes like walking, cycling, and transit within the Calgary Transportation Plan. Investment in amenities such as open space and the urban tree canopy helps sustain healthy spaces for citizens to connect to the environment.

Increased densification and infrastructure upgrades in established areas supports the goals of the Climate Resilience Strategy, specifically Action 6.2 which calls for the integration of GHG reduction considerations into growth management decisions. Efficient use of land and compact population helps to mitigate the emissions of climate change-causing greenhouse gasses by facilitating low- and zero-carbon transportation choices.

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Economic (External)
Meaningful investment of the identified $35.4 million in existing areas of the city that have the opportunities for growth through redevelopment will help bolster economic diversification and resilience by supporting tangible market demand while helping to increase the assessment base and support job creation. Growth in existing communities leverages existing infrastructure and services and creates cost efficiencies overall. An updated analysis of the impacts of meeting the Municipal Development Plan/Calgary Transportation Plan long-term goals by 2076 identified an approximate savings of $17 billion in capital infrastructure over the next 60 years if the compact urban form outlined in the plans is achieved.

Financial Capacity

Current and Future Operating Budget:

There are minimal operating cost impacts related to the Phase 1 portfolio of capital projects recommended in this report. The recommended process and policy improvements represent a minimal operating impact, since the identified changes to business practices can be accommodated within existing operating resources. Recommendations in future phases of this work may have associated operating impacts, which will be identified at the time.

For the duration of the North Hill property tax uplift pilot, property tax income will be directed to the Established Area Investment Fund if there is a positive tax uplift and there are budget savings of the same amount available to use.

Current and Future Capital Budget:

No new capital funding is being requested in this report. The recommended portfolio of public realm and utility investments will be funded through (1) the $30M identified in the Notice of Motion (PFC2020-0131) and (2) by $5.4M capital budget redirection within the Water and Wastewater service lines. Future capital funding will require support through decisions in future business cycles and will consider additional funding and financing tools that will be evaluated in Phase 2 of this work. This fund complements the City’s investment of $5 billion through the City’s four year capital budget related to capital maintenance, upgrades, growth, and service changes, and approximately $1.7 billion is spent specifically for rehabilitation of existing infrastructure due to obsolescence, safety concerns, age, or condition of the infrastructures (C2018-1158 Att. 9, p 99).

Risk Assessment

While there are several risks associated with the recommendations outlined in this report, there is far greater risk associated with not intentionally supporting policy and investment to enable growth and change in established areas. The primary risks include:

- State of Local Emergency: The recommendations in this report have been considered in the context of the COVID-19 emergency, and with knowledge available at the time of publishing. Changes related to other City initiatives because of the emergency may also pose risks to the Strategy work. The ability to implement and realize actions outlined in this Strategy may be at risk, given the uncertainty of The City’s financial capacity, availability of resources due to illness, personal commitments, and potential redeployments. Public hearing limitations pose risks to public and stakeholder perception of transparency, ability to participate, and effectiveness of participation. There may be lower stakeholder acceptance of change as individuals and organizations manage physical, financial, and psychological impacts of Covid-19. Additionally, Phase 2 actions may also be at risk, given the uncertainty related to stakeholder engagement and ability to participate as the emergency situation unfolds. Changes to other related City initiatives as a result of the emergency may also pose risks to the EAGCS work. The situation and impacts continue to be assessed and managed.

- Strategic and Policy Risk: Without an intentional approach to supporting growth in the established area, a number of Council-approved priorities are at risk of being achieved, including MDP growth targets for developed areas, Green House Gas emissions reductions targets (Climate Resilience Strategy), and Council Directive (N5) maximizing housing choice and affordability. Based on the current number of annual units being absorbed in the Developed Area as defined by the MDP, Calgary's target of 50 per cent population growth accommodated within this area continues to be at risk (as stated in the 2019 May 01 EAGCS update report, PUD2019-0305). While this Strategy doesn't remove this risk, it provides one mitigation strategy towards longer-term cumulative impact. The City's ability to achieve Green House Gas emissions reduction targets, as outlined in the Climate Resilience Strategy (2018) may be compromised, as planning and policy decisions, and infrastructure investments directly impact emissions and energy use in Calgary. As well, Council Directive (N5) to minimize cost of growth for The City, while maximizing housing choice and affordability, requires capital investment in infrastructure to be prioritized towards supporting intensification of developed areas (as outlined in the MDP).

  Recommendations in this report are also complementary to a number of other City initiatives in established areas (e.g. projects as part of the Next Generation Planning System, Liveable Streets, and capital investment priorities of City service lines) that may be impacted should the recommendations not be approved.

- Market Risk: Within Calgary's Established Area, 22 per cent of communities are growing. Without intentional focus in these communities to meet market demand, affordability pressures may increase, and the communities will struggle to provide a range of housing types and tenures. While attention to forecasts and trends have underpinned this work, these analyses are based on assumptions that may prove to be inaccurate, as redevelopment is also dynamic and variable. There is also a risk that the market may not respond to recommended actions and investments in this strategy. These risks have been mitigated to the extent possible, through monitoring and developing recommendations in close collaboration with Industry stakeholders. Additional certainty of support for growth and investment in established areas in Calgary may also improve investor confidence and encourage private capital to remain in the local market.

- Financial Risk: Builders and developers involved in redevelopment are heavily influenced by economic and population trends, resulting in a high degree of market volatility and uncertainty. City capital budgets are currently constrained by a number of internal and external factors, and return on investment is unpredictable given the influence of economic and population trends. Council's decision to allocate $30M towards the Strategy mitigates the near-term risk for an identified funding source, but funding sources to support new investments may be limited beyond the current budget cycle. Implementation of financial tools identified through Phase 2 of this work may take time to develop, and additional time to accumulate sufficient funds for future investments. This work acknowledges a shared risk approach between citizens, businesses, The City and Industry, has an identified near-term funding source, and a strategy to identify tools in Phase 2 to support ongoing future funds.

- Operating and Capital Delivery Risk: Current operating budgets and recent disruption to standard business practices pose a risk to the speed at which strategic investments, capital project delivery, and policy and financial tools may be realized. Further work on scope, cost and scheduling to finalize capital project delivery details in Phase 1 will help mitigate this risk, as well as incorporating implications of capital and operating expenditures into future growth recommendations.
- Stakeholder Expectations and Reputational Risk: Supporting redevelopment in an effort to achieve the long-term goals of the MDP and CTP requires multi-faceted approaches, which consider the role of a variety of stakeholders in achieving these goals. Recommendations put forward through this Strategy represent significant time and effort by Industry, business and community members, as well as staff from various departments across The City. The Strategy aims to be equitable across stakeholder groups, deliver cumulative impacts, and be clear in communication with stakeholders. If work does not proceed, there is a risk of reputational loss for The City, and may increase friction between stakeholder groups. Expectations related to scope, timing, and benefits will need to be addressed, as full benefits will take time to realize (such as activating investments, capital project completion, and market potential).
- Legislative Risk: The legislative environment in Alberta has been changing in recent years and in light of the current emergency. Future legislative changes may have unforeseen impacts to the policy and delivery environment under which this work is delivered, and the strategy and policy tools that may be recommended or implemented to support growth in established areas.

REASON(S) FOR RECOMMENDATION(S):

This set of growth enabling investments and process/policy improvements demonstrate an intentional approach to supporting growth and change in the established area of Calgary. The recommendations are aligned with the MDP/CTP goals, market factors, redevelopment readiness and financial impacts. The recommendations deliver on the goals of Phase 1, while setting up Phase 2 for continued success, and reflect priorities of stakeholders and Administration that were developed together through 2019. This work is foundational as this program moves into Phase 2 and will advance the Next Generation Planning System in Calgary.

This report aims to prove a concept where The City and stakeholders can realize shared benefit in enabling redevelopment and supporting growing communities. This helps The City be specific in its actions and tie those actions to market trends to leverage private investment and amplify the benefit. This work supports the realization of great communities for existing and future residents, enables growth through the efficient use of land and existing services, boosts investor confidence, supports job creation, and attracts private investment to partner with public investments in communities.

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ATTACHMENT(S)

1. Attachment 1 – EAGCS Phase 1 Portfolio of Public Realm and Utility Investments – PFC2020-0381
2. Attachment 2 – EAGCS Phase 1 Growth Area Investment Proposals and Process and Policy Improvements – PFC2020-0381
3. Attachment 3 – EAGCS Phase 1 Funding Strategies and Tools – PFC2020-0381
4. Attachment 4 – Request to Create a New Reserve – PFC2020-0381
5. Attachment 5 – Utilities and Established Area Growth – PFC2020-0381
6. Attachment 6 – EAGCS Phase 1 Strategic Considerations – PFC2020-0381
7. Attachment 7 – EAGCS Phase 2 Work Plan – PFC2020-0381
8. Attachment 8 – EAGCS Phase 1 Stakeholder Summary: What We Heard/Did – PFC2020-0381
9. Attachment 9 – EAGCS Phase 1 Stakeholder Letters – PFC2020-0381
10. **Attachment 10 – Public Submissions**

Approval(s): Dalgleish, Stuart concurs with this report. Author: Kalmakoff, Lesley
City Clerks: J. Palaschuk

EAGCS Phase 2 Work Plan

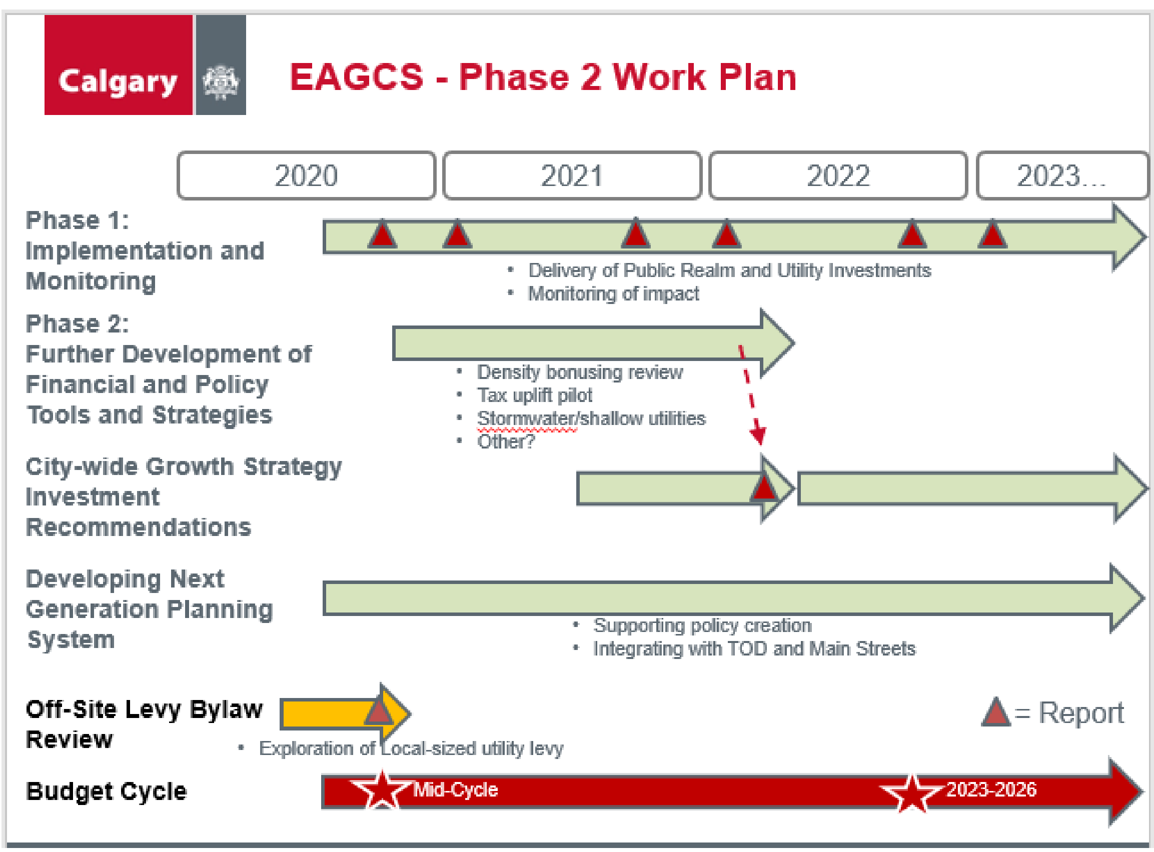
Following this report, the Established Area Growth and Change Strategy (the "Strategy") will transition into Phase 2, which will identify longer-term, sustainable strategies and tools to support growth, change, and quality of life in existing communities. Implementation and monitoring of Phase 1 recommendations will be done parallel to Phase 2.

The project Advisory Group helped inform the elements of the Phase 2 Work Plan, and identified the critical importance in working collaboratively to develop more sustainable solutions. This work benefits from the collaboration with community, business, shallow utility, and industry representatives, and this multi-stakeholder approach is expected to continue. Phase 2 will include priority work on tools and strategies that require additional time to develop due to their complexity.

Phase 2 will continue to support the creation of the Next Generation Planning System to support implementation of policy (Attachment 6). This includes the closer alignment of the Strategy with the Transit Oriented Development (TOD) Strategy and the Main Streets program, all of which contribute to identifying and delivering growth-related investment in the established area. Alignment on priority area identification, investment recommendations, funding sources and tools, and budget recommendations will be pursued.

It is anticipated that Administration will bring the next set of established areas investment recommendations in coordination with the 2023-2026 service plans and budget in conjunction with the rest of the city-wide growth strategy, the TOD Strategy, and the Main Streets program.

This work plan will be reviewed as part of the Planning & Development annual work plan.



Industrial Area Growth Strategy – Revised Approach 2.0

The purpose of this document is to elaborate and clarify the "Short Term Actions / Implementation", and "Long Term Actions" on the Revised Approach to the Scope –"Slide 6" as was presented to the Industrial Strategy Working Group meeting on July 8, 2020 **(see below).** The industry revised approach has specific dates attached to each one of the goals and the expectation is that there is a resolution of the goal by that date. Industry believes that the consultant's scope of work is known already and therefore the dates associated with those goals are report completion (not scoping) dates to inform recommendations and actions. Industry does not believe that waiting for Q1 of 2022 is necessary to create and implement an Industrial Growth Strategy.

Q1, 2021 Goals

Short Term Actions / Implementations

- **Off-Site Levy --- AGREED**
  Clarification: The off-site Levy is out of scope for this work. This is in scope for the Off-site Levy work being led by Kathy Davies Murphy. Updates on the Off-site Levy will be provided to the Industrial Strategy Working Group as needed.

- **Land Use Bylaw Amendments --- AGREED**
  Clarification: The project team will work closely with industry members and the Land Use Bylaw team to further define potential changes to the land use bylaw that support industrial development.

- **Development Standards --- AGREED**
  Clarification: The project team will work closely with industrial working group members and relevant Business Units to identify current issues with development standards and explore whether changes can be implemented that support industrial development.

- **Approval improvements --- AGREED**
  Clarification: Though this issue was not specifically identified in BILD & NAIOP's response letter dated June 25, 2020, it has been raised in the past industrial strategy meetings. If stakeholders have specific suggestions regarding the development approval process as it relates to the industrial development, the project team can facilitate this discussion with appropriate Business Units.

- **Municipal Development Plan/Guidebook for Great Communities policy changes**
  Industry agrees. Changes to GGC will be done with the revised amendments due January 2021 as per PUD's July 15 recommendation to Council. MDP timing TBD.
  Clarification: This issues has been allocated to the Phase 1 scope of work, however if the industrial working group identifies 'minor' amendments to the MDP/GGC policies, the project team in collaboration with City Wide Policy team can explore possibilities for 'minor' amendments, respecting the project timelines of Next 20 and GGC projects. ---

Consultant Scope – Administration appreciates the offer from industry representatives to address some of the tasks that had been previously identified for the consultant. The consultant scope of work will focus on the tasks that have been identified in the draft scoping document. In discussion with internal Business Units, the project team determined it is outside Administration's capacity and expertise to adequately address the some of the questions that will inform the scoping report as well the scope of work for Phase 1. For example, it is outside Administration's expertise to state whether the City has the right amount and type of industrial lands. **Industry agrees a consultant is necessary for the scope of work as noted below.**

Q1, 2022 Phase 1 – Goals (see revised proposed timing below)
Long Term Actions / Implementations

- **Carrying Cost --- AGREED completion by Q2 2021**
  Clarification: During Phase 1, the project team and the industrial working group can collaborate to further define and address the issue of reducing carrying costs.

- **Regional and Continental Competitiveness**:**----AGREED In Consultant's Scope of Work - Completion by Q2 2021**
  Clarification: Building on the work of the consultant, and in collaboration with working group members, ways to improve regional and continental competitiveness will be explored.

- **Municipal Development Plan/Guidebook for Great Communities policy changes? --N/A**
  Clarification: Building on the work of consultant and in collaboration with the industrial working group, any agreed upon changes to the MDP/Guidebook industrial policies will be explored.

- **REDS Land Inventory AGREED - completion by Q2 2021**
  Clarification: Develop a better understanding of REDS land inventory and work towards developing conclusions.

- **Tax Reform - AGREED In Consultant's Scope of Work/ Completion by Q2 2021**
  Clarification: Understand the impact of the non-residential tax and property tax blending on industrial development. There is a need to further define the topic of tax reform in an industrial context, and determine whether to include this topic in this scope of work or another City initiative.

- **Investment Recommendation --- AGREED (timing as noted below)**
  Clarification: Ahead of the 2023-2026 service plan and budget cycle, work to identify growth-enabling infrastructure investments to support and facilitate industrial development.

- **Economic Development & Diversification --- AGREED (in parallel to the above)**
  Clarification: Pursue actions and strategies to attract and enable development on industrial lands that support job creation, economic development, and economic diversification.

BILD
CALGARY REGION

NAIOP
COMMERCIAL REAL ESTATE DEVELOPMENT ASSOCIATION
CALGARY CHAPTER

Storm Water Management Strategy

Financial Sustainability

Role in funding stormwater management

Development Industry funds the concept, design and construction of stormwater infrastructure in all greenfield development and residential redevelopment.

Start-up and maintenance of the infrastructure is covered for approx 5 years after installation

Greenfield development requires small/large pipe, storm ponds and ultimately irrigation systems for stormwater reuse.

Most redevelopment requires onsite storage and treatment

capital, operating and maintenance costs?

All costs are ultimately covered by new home buyers, new businesses and new industrial users and new tenants. Operating and finance costs also are passed along and affect affordability, lease rates, retail costs and tenant costs. Note: current market conditions will put projects on hold, some due to stormwater costs

Costs are also influenced by conflicting city department goals and maintenance budgets (e.g: LID) Requirements for land cannot be met due to city policies that cap the amount of land that can be required for storm, parks, roads ..etc

In greenfield development the requirement for LID or source control practises and irrigation systems has materially increased the capital costs ($1M+) as well as operating costs for the developer and ultimately the city after the FAC

biggest challenges?

Greenfield:

- Lands in the Nose Creek basin (Nose Creek Watershed Water Management plan)
- Volume control targets
- LID (low impact development)
- Irrigation systems (stormwater reuse)
- Provincial Regulations (treatment levels for reuse for irrigation)
- Other systems for stormwater control (bioswales, rain gardens.etc)

Redevelopment:

- Requirement for increased density
- On-site storage facilities (Can take a prohibitive amount of land)
- Allowable discharge
- Existing stock in established areas grandfathered (no contribution to improvement)

biggest challenges?

Land Use – The space required for traditional infrastructure is growing, particularly with regards to storm ponds. Green infrastructure opportunities and climate change considerations are important to looking ahead but do add to this challenge.

Risk Tolerance – To balance service, operation, and maintenance expectations a discussion on risk tolerance could prove beneficial.

- Is the risk tolerance for stormwater synonymous with risk tolerance for potable water and other services, and should we adjust our expectations for stormwater?
- Should the risk tolerance be the same for all areas?

Opportunities? stormwater management in future?

There is no equity currently as to how stormwater management is funded.

New development pays for all the Stormwater innovation. Established areas in most cases have not improved their stormwater management, nor provide any funding. However, the City is moving to the same risk tolerance as Greenfield

There needs to be a frank discussion about risk tolerance vs cost to achieve

There needs to be choices. A developer should ideally have the option to fund off-site solutions as readily as on-site. Incentives that lead to improvement (objective) in a broad area should be considered.

There must be a combination of funding sources from utility fees (across the rate base to specialized development levies to a long term capital program.

BILD CALGARY REGION

Opportunities? stormwater management in future?

Land Use - Shared Land Use opportunities may allow for more effective use of limited space and might then better facilitate the potential for alternative design solutions.

- How do we address barriers to sharing land uses for all infrastructure systems and needs?

Rising Costs – Fees and levies to support infrastructure improvements may be viable if an appropriate balance can be found.

- What options should be considered to permit cost-effective choices to be made?
- What incentives might be offered to support a focused effort towards confirmed improvements (traditional or alternative) required in an area?

Date: July 16, 2020

Note to GAC members re: the GGC (Guidebook for Great Communities

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Good afternoon

A quick update on the PUD (Planning & Development) meeting yesterday (July 15)

As you may know the City continues to push policy through even with the pandemic restrictions firmly in place.

Yesterday at PUD the agenda included the North Hill LAP (Local Area Plan), Heritage Tools and the GGC (Guidebook for Great Communities)

The purpose of this email is to discuss the GGC decision as it has the most material consequences to our members.

For background, the GGC is replacing the DAG (developed areas guidebook) and is a foundational document that directs all development in developed areas and more.

The GGC has been a WIP (work in progress) for over 2 years. This guidebook is used by the city planning staff to review all LAP's. As you know the city is moving quickly to multi-community LAP's.

Yesterday PUD was asked to review additional changes that Councillor Carra and a number of community associations want BEFORE the GGC is approved by Council. What the GAC should know is that administration had an endorsement from PUD with the GGC as is in March. The expectation was that the current version of the GGC would go to Council and get approved in April. Then COVID hit. This gave a window for Carra and others to ask that PUD revisit the GGC and that (as senior administration folks call it) 'open heart surgery' be performed on the GGC. This work would take till at least Jan 2021.

So why should we care?

Without the GGC there are many applications in the system that must use old guidelines and most of the planning consultants are confused as to whether they should present an application that meets the GGC guidelines or not. They are afraid of refusal and increased costs to navigate through uncertain territory.

What's next?

PUD voted 5-3 to accept the 'open heart surgery', meaning that there is no hope of approval from Council until Jan 2021 or beyond. As a reminder, once we get into the election 'red zone' there is no chance for approval so we have even greater uncertainty for the foreseeable future.

If you are concerned I would suggest that you speak to the 9 Councillors + Mayor who did not vote in favour yesterday or are not on PUD.

The Councillors that voted to accept yesterday were Sutherland, Woolley, Carra, Demong, Farkas. Those that voted against (what we wanted) were Gondek, Jones, Farrell

This will go to Council later this month

Regards

Guy

NAIOP
COMMERCIAL REAL ESTATE
DEVELOPMENT ASSOCIATION
CALGARY CHAPTER

February 24, 2020

Real Estate Council of Alberta
Suite 202, 1506 – 11 Ave SW
Calgary, AB, T3C 0M9 **by email:** dmonea@reca.ca

Attn: Duane Monea

Dear Sir:

RE: NAIOP Calgary suggested amendments to the *Real Estate Act*

INTRODUCTION

The Real Estate Council of Alberta ("**RECA**") was created to provide an important regulatory role in Alberta responsible for overseeing the conduct of real estate industry members and their conformance with the *Real Estate Act*, RSA 2000 c R-5 (the "**Act**") and its associated regulations.

The purpose of this letter is to express our concern about RECA's regulatory oversight of large institutional owners and property managers of real property in Alberta ("**Institutional Owners**") and propose changes to the regulations that, in our view, would significantly reduce red tape.

ISSUE

NAIOP Calgary is a non-profit organization whose mandate is to advance the interests of the commercial real estate industry in Calgary. NAIOP counts among its members most of the Institutional Owners that own and manage commercial real estate in Calgary. NAIOP has been advised by several of its Institutional Owner members that they are spending an inordinate amount of time, money and effort to comply with RECA's requirements for continuous disclosure relating to corporate governance and ownership matters.

Two common examples of compliance issues have been reported to NAIOP:

1. the requirement for an individual working at an Institutional Owner to provide a guarantee for the brokerage where the broker is not the owner of the brokerage (which is the case for almost every Institutional Owner); and

2. the requirement to immediately report a change in directors, officers or shareholders of the brokerage (which is particularly onerous given the complex corporate structure of Institutional Owners).

In addition to the administrative burden placed on our Institutional Owner members, the continuous disclosure requirements must take up considerable resources and time of the brokerage administration department within RECA. With respect to Institutional Owners, it is our view that the disclosure and guarantee requirements are not serving their intended purposes.

ANALYSIS

Who are Institutional Owners?

Institutional Owners are large, sophisticated and professionally managed entities that include:

1. Life insurance and pension fund entities; and

2. Publicly traded corporations and REITs.

Some examples of Institutional Owners in Alberta include Brookfield Properties, Cadillac Fairview, GWL Realty Advisors, Oxford Property Group, and QuadReal Property Group.

Institutional Owners are subject to RECA

RECA derives its authority from the Act and its associated regulations, which include the rules that RECA has been delegated the power to make.

Section 17 of the Act provides that no person shall trade in real estate unless that person holds an appropriate authorization from RECA. Typically, this requires a person to be registered as a real estate broker under the Act. A person who contravenes Section 17 is guilty of an offense and liable to a fine of not more than $25,000[1].

The Act defines "trade" very broadly and includes activities such as:

- a disposition or acquisition of, or transaction in, real estate by purchase or sale;
- property management;

[1] *Act, Section 81(1).*

- holding oneself out as trading in real estate;
  - collecting, or offering or attempting to collect, on behalf of the owner or other person in charge of real estate, money payable as rent for the use of the real estate.

Section 1(1)(s.1) of the Act defines "property management" to include any of the following:

(i) leasing or offering to lease real estate or negotiating or approving, or offering to negotiate or approve, a lease or rental of real estate;
(ii) holding money received in connection with an activity referred to in subclause (i);
(iii) advertising, negotiating or carrying out any other activity, directly or indirectly, for the purpose of furthering an activity referred to in subclause (i) or (ii).

As Institutional Owners engage in property management, they are deemed to trade in real estate making them subject to the Act (and RECA by necessary implication).

Exemptions

Not every trade in real estate, however, is subject to the Act. The Act provides for several exemptions including the following:

2(1) This Act as it relates to trading in real estate does not apply to…

(c) a person

(i) who ***acquires*** real estate or any interest in real estate,

(ii) who ***disposes*** of real estate owned by that person or in which that person has a substantial interest[2], or

(iii) who is an official or employee of a person acquiring or disposing of real estate within the meaning of subclause (i) or (ii). **[Emphasis added]**

…

(f) a person exempted by the regulations.

The Act does not define what it means to "dispose" of real estate, but it does define "sale" as:

“sale”, in respect of real estate, includes an exchange, an option, a lease or any other disposition of an interest in real estate

[2] *Section 1(1)(w.2) defines "**substantial interest**" as an ownership interest in real estate of not less than 25%.*

As such, it is logical to conclude that a lease is disposition of real estate thereby falling within the exemption set out in Section 2(1)(c). However, it is our understanding that in the past RECA has interpreted "dispose" to exclude a lease or negotiation.

Substantial Interest

As noted, "**substantial interest**" is defined as an ownership interest in real estate of not less than 25%. For tax and liability reasons, it is common practice for an Institutional Owner to hold legal title to each real estate asset that it owns through a nominee company while maintaining the beneficial ownership at a separate level. Similarly, ownership of the property management division of an Institutional Owner is most likely to be held by a wholly owned subsidiary of the Institutional Owner that is affiliated with the legal and beneficial owners of the real estate assets.

As a consequence of separating legal and beneficial ownership of real estate assets, having a complex beneficial ownership structure, and trading in that real estate (whether by leasing, sale, or property management), Institutional Owners do not fall within the “substantial interest” exemption. Instead, they have been required by RECA to report immediately any time there is a change in directors, officers or shareholders anywhere in the entire legal/beneficial ownership chain.

Regulatory Oversight

In addition to being subject to oversight from RECA, most if not all Institutional Owners are already heavily regulated. Life insurance and pension fund entities are subject to statutory oversight while publicly traded corporations and real estate investment trusts (REITs) are subject to securities regulation by governing bodies, such as the Ontario Securities Commission.

Individual Guarantees and Reporting Obligations

With respect to the guarantee and reporting obligations noted above, these requirements are found in the *Real Estate Act Rules* (the "**Rules**"):

31(2) If the individual applying to be the registered broker of a brokerage or subsequent to issuance of a registration certificate as a broker:

(a) is not the owner of the brokerage, or

(b) does not have a controlling interest in the ownership structure of the brokerage,

the executive director may request, as a condition of issuing a brokerage licence, that one or more individuals who are the owners of the brokerage or have a controlling interest in the ownership of the brokerage provide a guarantee or security which in the opinion of the executive director is necessary to ensure the brokerage complies with the provisions of the Act, Rules and Bylaws.

32 A brokerage must immediately notify the executive director in writing of:

…

(g) a change in the directors, officers or shareholders of a corporation if the brokerage is a corporation.

Given the size of the financial covenants of Institutional Owners (often in the hundreds of millions if not billions of dollars), the requirement for an individual at an Institutional Owner to provide an individual guarantee for the brokerage is particularly problematic and unnecessary in our view.

As for the obligation to immediately report changes in directors, officers or shareholders of the brokerage, NAIOP has been advised by several of its Institutional Owner members that RECA has used the reporting obligation to require brokerages to provide a corporate summary for every corporation or entity in an Institutional Owner's hierarchy until the ultimate parent company/entity is reached. In addition to this being unnecessary, it is administratively challenging given how frequently directors, officers and shareholders can change in large organizations.

RECOMMENDATIONS

We propose the following amendments be considered:

1. Amend Section 2(1)(f) of the *Real Estate Exemption Regulation*, Alta Reg 111/1996 (the "**Exemption Regulation**") to permit a new class of exemption for Institutional Owners that are already subject to governmental oversight (whether by statute or through a securities commission). As part of this exemption, consideration could be given to a yearly reporting requirement satisfied by a statutory declaration of a senior officer of the exempt entity that the entity continues to meet the exemption criteria and a positive obligation to immediately inform RECA if the exempt entity no longer qualifies for exemption.

2. Amend the Rules to provide that Institutional Owners are not required to have an individual provide a guarantee for the brokerage or to report to RECA changes in officers, directors or shareholders (provided that the shareholder is an affiliate of the Institutional Owner).

Notwithstanding that Institutional Owners trade in real estate in which they have a substantial interest, they have fallen outside the exemption described in section 2(1)(c) of the Act because that ownership is typically held through a complex chain of entities. RECA has required Institutional Owners to report each time there is a change if officers, directors, or shareholders along that ownership chain. The administrative task of monitoring and preparing such disclosure is daunting and, in our view, unnecessary. Institutional Owners are already thoroughly regulated, including continuous disclosure requirements or restrictions on ownership or both. We assume that one of the purposes of RECA's disclosure requirements regarding control and ownership is to prevent those unqualified, unlicensed, or otherwise restricted from trading in real estate in which they do not have a substantial interest. However, this same public interest legislation has caught Institutional Owners even though they ought to be exempt when they are trading in real state in which they have a substantial interest.

We trust that you will find the foregoing helpful. We look forward to hearing your thoughts and working with you towards a solution that is mutually beneficial to the real estate industry, RECA and the public at large.

Sincerely, on behalf of, NAIOP Calgary

Guy Huntingford
Director Strategic Initiatives
NAIOP Calgary

Planning & Development Report to
SPC on Planning and Urban Development
2020 July 15

ISC: UNRESTRICTED
PUD2020-0758

Heritage Conservation Tools and Incentives Update Report

EXECUTIVE SUMMARY

Administration was directed to conduct analysis on heritage preservation tools and financial incentives to support a continuum of heritage conservation and presented findings at the 2020 April 1 SPC on Planning and Urban Development committee meeting (Attachment 1). Given COVID-19's impact on Calgary communities, the report was received for information with direction for Administration to return later with further refinement of the financial incentive packages. This report provides recommendations based upon the refined financial incentives and includes the original recommendations for the planning policy tools that did not receive direction. The financial incentives support heritage sites on the conservation continuum by encouraging qualified properties to designated. The policy tools support heritage sites and assets on the continuum by providing development opportunities to retain heritage buildings and policy tools to ensure new development in historic communities respects the heritage assets.

Administration is recommending approval of the planning policy tools, which will allow integration with other planning initiatives including the Guidebook for Great Communities and North Hill Communities Local Area Plan that are being considered at the 2020 July 15 SPC on Planning and Urban Development committee meeting. Additionally, after further review of the non-residential tax credit program and in support of Committee's discussion in April, Administration recommends approval of a $2 million increase to the City-wide Historic Resource Conservation Grant instead. Following this recent economic disruption, a grant program that not only incents designation but also creates jobs and requires matching private investment into Calgary's established communities is not only a significant heritage conservation tool, but a prudent and timely economic stimulus tool as well. The residential tax credit is recommended for consideration in the 2023-2026 budget deliberations given The City's current financial capacity.

ADMINISTRATION RECOMMENDATION:

That the Standing Policy Committee on Planning and Urban Development recommend that Council Direct Administration to:

1. Undertake a two-year phased program (2021 – 2023) to implement the heritage area policy tools, using the recommended thresholds, through the local area planning process, Land Use Bylaw amendments, or associated land use redesignations, and return to the Standing Policy Committee on Planning and Urban Development to report on the progress in Q1 2024;
2. Alter the City-wide Historic Resource Conservation Grant Program by:
   a. Preparing a mid-cycle budget request for a $2 million increase to the base budget and funding for the City-wide Historic Resource Conservation Grant Program from $500,000 to $2.5 million;
   b. Restructuring the grant program to direct $2 million to non-residential conservation projects with a cap of $1 million per project, and reserve $500,000 for residential projects with the existing cap of $125,000; and,
3. Return to the Priorities and Finance Committee no later than Q1 2022 with the residential tax credit financial incentive package for consideration in the 2023-2026 budget deliberations.

Heritage Conservation Tools and Incentives Update Report

PREVIOUS COUNCIL DIRECTION / POLICY

At the 2020 April 1 meeting of Standing Policy Committee on Planning and Urban Development, Report PUD2020-0259 was presented for information, and the following was approved:

1. Direct Administration to return to the Standing Policy Committee on Planning and Urban Development no later than 2020 October 7 with refined financial tools and incentives, respecting future financial constraints in the face of the global COVID-19 pandemic.
2. Recommendations be brought to mid-cycle budget in November. Recommendations may also incorporate any relevant pre-COVID-19 considerations as outlined in Attachment 13.

At the 2019 November 6 meeting of Standing Policy Committee on Planning and Urban Development, Report PFC2019-1359, the following deferral was approved:

> Heritage Preservation Tools and Financial Incentives, PUD2019-1359 due Q4 2019 to be moved to no later than April 2020, PFC2019-0223.

At the 2019 March 5 meeting of the Priorities and Finance Committee, Report PFC2019-0223, the following was approved, as amended:

> That the Priorities and Finance Committee direct Administration to conduct further analysis on heritage preservation tools and financial incentives and report back to SPC on Planning and Urban Development no later than Q4 2019.

BACKGROUND

Heritage conservation is an important component of sustainable city building. It benefits economic development, environmental sustainability and quality of life for Calgarians. There is tremendous value to The City of Calgary in conserving heritage; however, despite significant progress, most heritage properties remain unprotected from significant alteration or demolition. This report provides options for various tools, both planning and financial, that may help incentivize the conservation of heritage in Calgary representing noteworthy progress for heritage planning in Calgary.

The importance of heritage conservation is identified in Calgary's Municipal Development Plan and the Council-approved Calgary Heritage Strategy (2008) which identifies a number of actions required to fulfill the City of Calgary's heritage conservation goals. Significant progress has been made since 2008, however, some of the more challenging actions of the Calgary Heritage Strategy have yet to be fully implemented due to the requirement of significant resources, funding, and corporate support. Administration has now evaluated potential new policy tools and financial incentives to increase the conservation of local heritage sites. Future work will continue to address how best to realize the City's heritage conservation goals. Administration conducted this analysis and prepared a report for the SPC on Planning and Urban Development for the 2020 April 1 committee meeting. The 2020 April 1 report (Attachment 1) includes in-depth background information that may be valuable to reference in consideration of this report.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Identified tools and incentives will address and support the conservation of heritage sites, while policy and regulatory tools will address heritage areas. This report presents updated information based on direction received in April. The focus of this additional information is on the financial

Heritage Conservation Tools and Incentives Update Report

incentives and no alterations were made to the planning tools since April, which are summarized in this report and detailed in Attachment 1.

Financial Incentives

Financial incentives are essential for advancing economic development and heritage preservation. Tax-based programs are a popular and successful example of financial incentives for heritage conservation. There are some limitations to the development of such tools, however. For example, it is difficult to know exactly how many properties will choose to designate (assumed to be 40% based on a 2019 heritage property owner survey) and the cost projections must use static 2020 value (that do not account for future inflation or changes to assessed value). For a more in-depth analysis of financial assumptions, see Attachment 2. Currently, the only financial incentive provided to property owners by The City is the City-wide Heritage Conservation Grant Program, which is a matching grant that considers applicants on a first-come, first-serve basis but is often unable to provide enough funding to incent designation.

Non-Residential Tax Credit Program

Additional analysis of the non-residential tax credit program since April shows that a yearly increase to the existing city-wide grant program (and parameter adjustment) could have a similar impact without the upstart costs and challenges of introducing a new program. Administration recommends a boost to the city-wide grant program in lieu of the explored non-residential tax credit program; nonetheless, in response to Committee's direction in April, the tax credit program is outlined in Attachment 2.

Increase to the City-wide Conservation Grant Program

In lieu of the non-residential tax credit, Administration recommends an increase to the existing Heritage Conservation Grant Program. The current program receives $500,000 annually, with a cap of $125,000 per project, which is often insufficient to incent non-residential projects. An increase to the city-wide conservation grant program would allow more, or larger, projects to make use of the grant.

Administration recommends the city-wide grant program be increased to $2.5 million annually and the structure of the grant program be amended to reserve $2.0 million for non-residential projects and focus the existing $500,000 for residential properties. Analysis of potential scenarios for the non-residential tax credit found that, on average, the program could be reasonably estimated to cost between $2.0 and $2.5 million per year and may generate an additional 38 designations within 7 years. Administration found, through a review of past Calgary projects and similar grant programs in other jurisdictions, this would allow for several typical projects and a larger project each year. That analysis informed the proposed increase. A mid-cycle budget request for funding support is necessary to support an increase to the program (Attachment 7).

Following the economic disruption caused by COVID-19, a grant program that not only incents designation, but creates jobs and requires matching private investment into Calgary's established communities is not only a significant heritage conservation tool, but a prudent and timely economic stimulus tool as well.

Heritage Conservation Tools and Incentives Update Report

Residential Tax Credit

The residential tax credit would provide owners of protected buildings with an annual credit on their municipal property tax levy for up to 15 years equal to 75 percent of each year's municipal property taxes. An alternative mechanism to a tax credit would be the creation of a residential heritage tax sub-class for designated sites with an associated lower tax rate. Through cross-departmental consultation, Administration determined that a residential tax credit would achieve the same benefit with lower administrative costs and risk. The proposed tax credit has been refined since April (moving from a tax-back grant system) to achieve additional benefits as opposed to a differential tax class. As the City tax systems are upgraded, future opportunities for a differential tax class should be revisited.

The tax credit program is proposed to be capped at $50,000 per property and does not require an owner to perform restoration or rehabilitation work. The program incentivizes property owners to designate by providing unrestricted, easily-accessed property tax savings to better balance the economic trade-off between conserving or redeveloping a heritage resource. There are 665 known potentially-eligible sites. The 75 percent credit allows nearly half of all Inventory sites to maximize the $50,000, slightly exceeding the projected uptake of 40 percent.

Projections from a heritage property-owner survey (completed for April 2020 report and available in Attachment 1) indicates strong interest in designation from 40 percent of overall owners offered a tax credit. A 40 percent program uptake among undesignated properties would result in an additional 266 properties to be designated to apply for the tax credit. We assume full participation of the existing 31 designated properties.

With available capacity (maximum of 50 new designations and 20 new Inventory sites per year) and using the above assumptions, by 2023 there could be 131 designated properties receiving the residential tax credit incentive; representing a more than four-fold increase in designations from the current 31 residential properties over a two-year period (2021 and 2022). If designation trends continue in-line with projections, we anticipate having 297 designated properties by 2030.

The proposed residential tax credit program can be established and administered with $150,000 base budget to fund one FTE addition to the heritage planning team and to cover other costs for internal services. The additional FTE position will support the additional designations, the development of tax credit agreements, and the administration of the annual tax credit.

The 31 already-designated residential sites that would become immediately eligible for the tax credit are estimated to cost The City of Calgary approximately $95,000 annually for 15 years, totaling $1.42 million. This is understood as a minimum cost necessary to ensure fair and equitable distribution of incentives to designated heritage resources in Calgary and would be incurred regardless of the number of new heritage designations achieved by the program.

The total 15-year cost per site of providing the residential tax credit is approximately $45,000, with tax credits highest between 2023 and 2033 when the greatest number of eligible sites are simultaneously receiving the incentive. The program is expected to achieve designation of all 315 interested sites by 2030, with total lifetime tax credits and program administration costs of $17.97 million (2021-2045).

This report recommends review of all proposed new financial incentives within two years of implementation, allowing the actual uptake, costs and staffing requirements to be measured against projections and potential adjustments to be made to the program terms. Should Council wish to modify or discontinue the proposed tax credit, no new applicants would be accepted; however, existing partially-completed credits would continue for the remaining duration of their 15-year contract. Opportunities to introduce a differential tax class should be revisited at this time.

Non-Recommended Policy Tools and Financial Incentives

For the 2020 April 1 report, Administration reviewed several other policy tool and financial incentive options for potential implementation in Calgary; however, through cross-departmental consultation, some tools were determined to be out-of-scope or infeasible at this time. Additional detail on each of these tools, including rationale for their exclusion and future opportunities, is included in Attachment 2. Additionally, Attachment 3 provides more detail on density bonusing and density transfer as this is a tool that can be used for more than heritage conservation. Administration acknowledges density bonusing and density transfer as a successful tool where it is currently applied in the city (for example, in the Beltline community), and we recommend continued use in those areas. Further evaluation regarding the broader applicability of this tool is being considered through the Established Area Growth and Change Strategy (EAGCS). Future reporting from Phase 2 of the EAGCS initiative, no later than 2022 November, is anticipated to provide further comments on the use of these tools in a growth context.

Alternatives to Administration's Recommendations

Given the scope of this report and the identified risks and challenges facing Calgary's heritage resources, Council may seek alternate implementation of the explored tools and incentives than what is recommended by Administration. Attachment 5 provides alternate recommendations for Council's consideration.

Heritage Area (Planning) Tools

A three-layer system of heritage areas is proposed and would apply in portions of a community that merit preservation based on the historic integrity of the area (e.g. percentage of heritage assets compared to all other structures). The threshold scenarios required for the discretionary guideline and direct control heritage areas are explored in Attachment 6.

The layers, intended to stack or build upon each other resulting in increased specificity and control as the concentration and integrity of heritage areas increase, are as follows:

1 – Incentive Areas

To broadly incentivize the conservation of heritage assets in the city, this policy tool will offer additional development potential or incentives to developments that retain a heritage asset on site. This tool is intended to apply broadly within the built-out area to sites that have identified residential heritage assets (through the "windshield" survey or Inventory). These incentives do not restrict or inhibit development. Some proposed incentives for this policy can be found in the 2020 April 1 report (Attachment 1). The Incentive Areas tools would be implemented through a separate City-initiated *Land Use Bylaw* amendment.

2 – Discretionary Guideline Area

To incentivize the conservation of heritage assets in areas of the city with moderate to high historical integrity (25-49 percent heritage assets), this policy tool would build upon the Incentive Areas (Layer 1) by making all uses (other than those incented by Layer 1) discretionary, and subject to locally-specific heritage design guidelines. This means that many uses that are permitted today, such as single-detached dwellings, will become discretionary in these defined areas to allow design guidelines to address heritage form elements. These guidelines will apply to all developments within the area boundary (not just those parcels with heritage assets). The Discretionary Guideline Areas would be implemented through the Local Area Plan process and associated redesignation(s).

3 – Direct Control Heritage Area

To incentivize the conservation of heritage assets in areas of the city with the highest historical integrity (greater than 50 percent heritage assets), this policy tool is intended to incentivize the conservation of heritage assets through specific architectural controls and limited redevelopment potential and will be implemented through a direct control district land use redesignation.

Stakeholder Engagement, Research and Communication

PUD2020-0259 (Attachment 1) provides an overview of stakeholder engagement and communications that were completed for 2020 April 1. Since then, Administration has engaged 20 student and teacher volunteers from the University of Calgary and from Southern Alberta Institute of Technology to test the Discretionary Design Guidelines heritage policy tool. This is additional work undertaken to better understand the tools and support potential implementation, and their work is included as Attachment 4. An additional stakeholder information session was held on 30 June 2020 to refresh stakeholders on the report given the COVID-19 postponement, answer outstanding questions, and update them on work undertaken since April 2020.

Strategic Alignment

The proposed heritage conservation tools and incentives contribute to advancing the Next Generation Planning System in Calgary, as detailed in the April report (Attachment 1). The tools and incentives will support the Municipal Development Plan and the Calgary Heritage Strategy.

Social, Environmental, Economic (External)

There are many external social, environmental and economic impacts of these tools and incentives, which are detailed in the April report (Attachment 1).

Financial Capacity

Current and Future Operating Budget:

An increase of $2 million to Calgary Growth Strategies' base budget to increase the annual funding for the City-wide Historic Resource Conservation Grant Program would result in a 0.115% mill rate increase in 2021. The 2023-2026 budget recommendations will have impacts in the next budget cycle and will require funding sources for operating investments to be identified within future reports. Similarly, the alternative recommendations would have impacts to be addressed as part of the same process.

Administration will seek to support the two-year phased implementation program of the heritage area planning tools through reprioritization and will prepare appropriate investment requests for future budget deliberations as necessary pending Council direction. Administration will evaluate the specific resourcing requirements once direction has been provided on the proposed tools and scoping for next steps has been completed.

Planning & Development Report to
SPC on Planning and Urban Development
2020 July 15

ISC: UNRESTRICTED
PUD2020-0758

Heritage Conservation Tools and Incentives Update Report

Current and Future Capital Budget:

There are no current or future capital budget implications associated with this report.

Risk Assessment

As a finite resource, once demolished or significantly altered, heritage assets cannot be restored or recreated. Failing to provide, or delaying the provision of, effective tools and incentives may result in the loss of heritage assets and resources that provide value to Calgary and support the city's culture, identity and sense of place, which is often discussed during local area plan processes. The proposed tools and incentives mitigate this risk, where possible, in the Calgary context.

The implementation of tools and incentives will require funding. Given the current economic climate and the as-yet-unknown full impacts of COVID-19, proposing new tools or incentives that require additional spending represents a risk to The City's objective of reducing the tax burden on Calgarians. Considering additional operational budget impacts as part of future budget deliberations in 2022 mitigates this risk.

This report identified the exceptional needs of non-residential heritage assets as well as the acute conflict between development pressures, city-wide growth policies and certain heritage commercial streets. Work has begun to identify additional strategies, tools and incentives for the conservation of commercial heritage assets, there remains significant risk of losing valuable heritage assets prior to their completion.

REASON(S) FOR RECOMMENDATION(S):

The proposed tools and incentives in this report respond not only to Council direction and priorities, but also to significant community interest and common concerns identified through the local areas planning process. The tools incentivize the conservation of more than 4,000 heritage assets and help support historically-sensitive redevelopment where appropriate. The proposed $2 million increase to the City-wide Historic Resource Conservation Grant is not only a significant heritage conservation tool, but a prudent and timely economic stimulus tool as well. The residential tax credit program will build upon and support the policy tools and increased Historic Resource Conservation Grant program; however, the tax credit is a larger financial commitment that should be considered in the context of the next budget deliberations.

ATTACHMENT(S)

1. Attachment 1 – Report to PUD April 1, 2020, PUD2020-0259 - PUD2020-0758
2. Attachment 2 – Summary of Financial Incentive Analyses and Explored Alternatives - PUD2020-0758
3. Attachment 3 – Overview of Municipal Density Bonusing Policies - PUD2020-0758
4. Attachment 4 – Testing of Heritage Areas Discretionary Guidelines Policy Tool - PUD2020-0758
5. Attachment 5 – Alternatives to Administration's Recommendations - PUD2020-0758
6. Attachment 6 – Heritage Area Planning Tools Thresholds for Consideration - PUD2020-0758
7. Attachment 7 – Potential Mid-Cycle Budget Requests - PUD2020-0758
8. Attachment 8 – Heritage Conservation in Calgary Progress Snapshot - PUD2020-0758