

Downtown Office Report

Prepared by EEDC for City Of Edmonton Administration

Submitted by:

EEDC

Date:

May 24, 2017

INFORMATION REPORT

ISSUE: In support of a motion from Edmonton City Council, EEDC undertook consultations with industry stakeholders on the matter of downtown office vacancy rates. This memo serves to inform Administration's report to Council, document Industry's comments, as well as provide EEDC's recommendations on next steps to Administration.

BACKGROUND

- With the construction of Rogers Place in Edmonton, a period of exponential growth has occurred in our downtown. Between 2015 and 2019, we are estimating an addition of 1.9 million square feet of new AA office space in our downtown core in a city that historically sees an average absorption of 80,000 square feet per year. This is good news, but presents challenges to the economic stability of our downtown and impacts our city's competitiveness. Removing barriers to innovation, efficiency, and investment in our downtown core is critical to provide an effective business climate, and alleviate the challenges surrounding high vacancy rates in the heart of our city.
- On October 25, 2016, City Council passed the following motion:
 - That Administration engage in a discussion with downtown properties owners, Building Owners and Manager Association Edmonton, Edmonton Economic Development Corporation, and other industry stakeholders on ways that the City of Edmonton could explore options with how we can stimulate office tower conversion in the downtown core, and report back to Committee.
- Over the past six months, EEDC has undertaken consultations with over 100 City of Edmonton Administration, staff, and industry stakeholders: One-on-one meetings were held with over 60 stakeholders, and another 46 stakeholders attended a facilitated engagement session in January 2017. (Details in the Appendixes.)
- These consultations culminated in a set of four recommendations from industry.

INDUSTRY STAKEHOLDER RECOMMENDATIONS

1. Pilot Project: That BOMA leads a Downtown Office Conversion Task Force focussed on the creation of four case studies in 2017 on areas such as social housing, student housing, K-12 education, assisted living and the conversion of specific buildings. That administration establish a Terms of Reference to guide the Downtown Office Conversion Task Force led by BOMA. That City Administration invests in a pilot project based on a Downtown Office Conversion Task Force recommendation.
2. Matchmaking Website: That EEDC support a matchmaking website for short-term tenants and landlords to incubate business and test the demand for mixed use in traditional office space.
3. Defer Taxes: Consider a tax deferral program to stimulate conversion.
4. Further Study: That in-depth research be performed on mixed-use spaces in terms of flexibility of use and parking requirements. Industry be involved in the process.

CONSIDERATIONS

- These recommendations align with The Way We Prosper strategy, specifically:
 - Converting vacant space will continue to increase density and optimize existing infrastructure. A more balanced use of dwelling densities and mixed use would also be a direct result of conversation.

- Creating urban environments means improving density, and vacancies in the heart of our downtown hurt our density goals.
- More study is needed on specific impacts.
- Acknowledgement needs to be given to the fact that many landlords have made significant rents in up-markets and failed to reinvest in buildings for modernization. As well, many landlords have invested recently invested in buildings and would not be able to take advantage of a general program.
- Also need to focus on vibrancy of downtown, which is an initiative EEDC is leading.
- As of Q4 2016, our downtown office market is seeing a vacancy rate of 12.9%. 13.4% city wide), a rate that will inevitably climb without interjection from the City of Edmonton and the business community. Forecasts (Altus) indicate that the market will bottom out in 2018, at an expected vacancy of 20%. Considering that large firms have already repositioned themselves on a real estate front, the traditional drivers of absorption will not be much of a determining factor. Without interjection, getting back to a healthy 10% vacancy will be pushed well beyond fifteen years.
- Derelict buildings have a negative impact on property taxes.
- Edmonton's industry structure is changing where traditional energy service based businesses will not be the growth engine of the economy. Technology based companies, and companies innovating with new technologies, will create much of the demand for office space in the coming years. Any support from the City of Edmonton may want to be aligned to encourage such technology based expansions that enhance the use of students, tech companies, incubators/accelerators or innovation space for traditional companies. We should find programs to support companies versus supporting landlords.
- In terms of office conversions, the process is both costly and risky. It is important to understand three key principles from a development standpoint:
 - Not all vacant space is a candidate for conversion. It's estimated that about one-fifth of the currently vacant space could be converted; if it all were, that would reduce the overall vacancy rate by an estimated 2%. Converting to multi-use may be a more viable option as opposed to conversion to a single asset class.
 - There is only enough room in the market for approximately one conversion per asset class based on demand (one hotel conversion, one student residence conversion, one traditional residence conversion, etc.)

EEDC RECOMMENDATION

- That Administration review the impact of implementing these stakeholder recommendations, and bring forward appropriate recommendations to City Council.

APPENDIXES

1. Stakeholder Recommendation 1 – Details
2. Stakeholder Recommendation 2 – Details
3. Stakeholder Recommendation 3 – Details
4. Stakeholder Recommendation 4 – Details
5. Map of Land
6. Altus
7. Roundtable

STAKEHOLDER RECOMMENDATION 1

BOMA Leads Task Force

ANALYSIS/RATIONALE:

With an increase in office inventory, one tactic is to remove inventory from the market through conversion. BOMA (Building Owners and Managers Association) is well positioned to lead the development of case studies through its membership. *“BOMA Edmonton provides valuable services to the property management industry in the areas of: Advocacy, Education, Information, (and) Networking.”* Source: www.bomaedm.ca

EEDC and the DBA can facilitate a task force through research capacity and shared marketing initiatives to have the case studies reach the development community on a local and regional level.

One of the opportunities identified by the stakeholders that has gained recent attention is social and affordable housing. Converting space to this use would align with the municipal End Poverty Now strategy and conform to political will at provincial and federal levels. This particular initiative would have both financial and social benefits for downtown.

Other possible uses for space that were mentioned by stakeholders and should be explored include wet labs, healthcare facilities, assisted living, daycares, K-12 schooling and student housing.

Recommendations from both industry and the city of Edmonton made mention of a pilot project that the city could undertake to catalyze development in a particular area of the downtown core. Working with BOMA to formulate that project could be explored.

1. Data Collection and Maintenance

Data collection will be led by EEDC and could rely on organizations such as BOMA, the University of Alberta School of Business in Real Estate and intelligence from local brokerages and consultants.

2. Marketing Tools and Partnerships

Marketing efforts of the case studies will be led by EEDC.

3. Summary

The strategy supports related initiatives that contribute to the physical, economic and social health of downtown Edmonton. We have not capitalized on new opportunities for diversifying our downtown economy and becoming more resilient to fluctuations in energy prices and external investment.

4. Alternatives for Consideration:

Administration could put forward case studies that it wants BOMA to explore. BOMA can work with prospective partners to round out use cases.

5. Financial/Staffing/Legal Implications:

Funding mechanisms should be explored through public and private partnerships on the development of case studies. Various suggestions were made on how the costs associated with the case studies could be shared. A joint partnership between BOMA, EEDC, The City of Edmonton, NAIOP and private industry would be the best approach, with each organization sharing a proportion of the cost. Costs directly related to the implementation of the Downtown Office Strategy will include the production and distribution of marketing tools and case studies.

Legal – Careful consultation with City of Edmonton on policies and bylaws that would prevent certain developments and restrict timelines on development will be of importance.

Staffing – This should be approached independently through the agencies.

6. Policies Affecting Proposal:

Policies that govern the participating partners will be determining factors in cooperation.

7. Alignment with The Way Ahead

BOMA's Task Force should be guided by the following principal :

P8, Principles, The Way Ahead

“Integration

A holistic view of strategic planning that acknowledges the interrelated and interdependent reality of complex urban environments.

Livability

A set of interrelated factors that influence people in choosing where they live and reinforce their sense of well-being.”

P9, Principles cont.

- *Economic prosperity*
- *Access & affordability*
- *Caring*
- *Community capacity*

STAKEHOLDER RECOMMENDATION 2: Matchmaking Website

ANALYSIS/RATIONALE:

A matchmaking website would bring together tenants and available short-term spaces, serving to support mixed-use office towers. A tool with this purpose would reimagine vacant office space, by allowing these places to become temporary homes for pop-up retail shops, marketing events, art installations, and pop-up restaurants – all of which tend to boast high foot traffic.

Seeing a vacant office floorplan utilized in a new and exciting way works to bring in long-term tenants with alternative uses to a traditional office space. An example of this working:

“There was a space available on thisopenspace.com for the last year in Toronto. The site was a former woodworking and machine shop and had sat vacant for a few years. When the property was acquired from one of our developer partners, they used thisopenspace.com to drive activity and revenue to the space while they secured a new tenant for the site on a multi-year lease. The space was used for unique events and production shoots for short-term bookings, and is now the future home of a major Vancouver brewery who will be re-developing the site with its original architecture intact. The brewery is a large project and will be a staple in the west end of Toronto for years to come.” – source: Adam Bent, Co Founder of thisopenspace.com

One barrier to a matchmaking website successfully supporting mixed-use office towers would be the mixed adoption of the tool by developers. Tenants for this product – short-term licensing of space in the downtown core – are plenty, however the administration required to list these spaces, as well as insuring them, are detractors to those who own the spaces.

Another barrier is the licensing for this type of service – currently, there is no way for these businesses to technically engage in these activities for short-term rentals.

Mitigating these barriers would require partnering with the City of Edmonton for guidance on licensing, and working with platforms of this service with a clear value proposition around listing space and managing payments, insurance, and legal fees.

1. Data Collection and Maintenance

EEDC will assist with selecting a platform to partner with that achieves the desired impact in a space matchmaking website. There are several platforms on the market, with various pros and cons.

2. Marketing Tools and Partnerships

Marketing efforts of the platform will belong to the provider of the tool as well as EEDC and other

relevant stakeholders.

3. Summary

A space matchmaking website will be a supportive mechanism toward a mixed-use environment in the downtown core of Edmonton. It will work to drive both tenants and landlords to reimagine the uses of downtown office towers. These tenants are businesses and industries that could fill demand in our mixed-use spaces. Examples include: personal service shops, professional services, financial and office support services, health services, traditional retail, and hospitality.

4. Alternatives for Consideration:

There is potential that the Downtown Business Association could manage and facilitate this recommendation. They have taken on recent initiatives with small business and this may play well into their initiatives.

5. Financial/Staffing/Legal Implications:

Financial – EEDC can manage the budget for a site internally

Legal – none.

Staffing – already in place

6. Policies Affecting Proposal:

A barrier to a site like this working lies with licensing; currently, policies are not in support of using spaces for mixed-use businesses in the short term. EEDC will work Sustainable Development and the Open Window initiative, to remediate this barrier to success.

7. Alignment with DT Plan

“Encourage all forms of artistic endeavors in the Downtown, providing new studio and exhibit spaces, festivals and special events that celebrate the arts, the artists and their presence in the Downtown.”
(page 81)

P14, Improve Edmonton’s Livability

“To improve Edmonton’s livability... (the city) is concentrating efforts on... getting to the root causes or barriers that are in the way of achieving a more livable city. (These aspects) are important to the notion of urban village creation.

STAKEHOLDER RECOMMENDATION 3:

Tax Deferral

ANALYSIS/RATIONALE:

2017 will be a year of property sales downturn as many owners come to terms with significant write-downs; transactional values will be at generational lows. In the first major transaction, HSBC Place and Enbridge Place were purchased by AIMCO on February 27, 2017. As of May 2017, as many as seven other office towers are under contract for sale and many of these new landlords will be looking to reinvest in or repurpose these buildings. Property tax deferral is a recommended solution to stimulate conversion by creatively removing financial barriers and reducing the costs of “downtime” in the building’s life cycle.

One recommended scenario from industry stakeholders:

- In 2017, Q4 could be the entry point for applicants to apply for a tax deferral. This would not be a grant, but a streamlined, effective process that will enable developers to apply for this mechanism to support cash flow for re-investing in B and C class office space.
- From 2018 to 2019, the municipal portion of the property tax bill for a building undergoing conversion will be deferred. This is about 80% of the bill; there would be no provincial or education tax deferral.
- From 2020 to 2021, taxes would be paid as per a normal year. This would also be the re-tenanting period for the space.
- From 2022 to 2026, deferred taxes from 2018 to 2019 would be applied to these years, on top of regular taxes paid as per a normal year on the newly converted spaces.

Under this scenario, an estimated 600,000 to one million square feet of space would likely be converted, a significant portion of the three million square feet that currently lie vacant. Since converting buildings requires significant financial investment, this tax deferral process would create a stronger business case for conversion and spur significant reinvestment in the downtown core with meaningful economic spinoffs.

There are two direct benefits to the City of Edmonton. First, reinvestment will stimulate jobs and improve vacant/under-utilized/potential blight properties in the core. Second, it will stimulate market activity that will have a positive multi-layer affect on the tax base, both downtown and in the city as a whole. The current office transactions in the marketplace will be at values that are literally half (or less) of the assessed values; the balance of the commercial tax base and by extension, the residential tax base, will be forced to pick up the shortfalls in tax revenue when the downtown office assessments plummet. Calgary felt the effects of this type of adjustment this year – Edmonton will be in the same position next year. This program will be a positive step designed to shorten the recovery and mitigate the effects.

1. Data Collection and Maintenance

City of Edmonton would have to determine what criteria would be required to participate in a program, and what check points and processes would need to be in place to ensure sound fiscal management.

2. Marketing Tools and Partnerships

Information on this will be shared through mainstream media. BOMA, EEDC, DBA can also share information through their newsletters, social channels and memberships.

3. Summary

This initiative could inspire conversion as landlords will seek to find solutions for troubled properties. The costs of downtime play a critical role in the decision-making process and a seven-year outlook on achieving lower office vacancies and a more diverse downtown landscape is an accelerated timeline.

4. Alternatives for Consideration

Provide tax deferral for building upgrades. This would improve the quality of inventory in downtown office space, and open the door for the number and type of companies that we could attract to Edmonton's downtown core. The look and feel of the workspace is key to attracting top talent and innovative new companies into a city's core. The competition for talent and skilled workers, as noted in the *Way We Prosper*, is a "*critical challenge to their businesses and the economy as a whole*". – P5, *The Way We Prosper*

5. Financing/Staffing/Legal Implications:

Financial – At the City of Edmonton Administration's discretion

Legal – As per COE

Staffing – Capacity to handle influx of applications for deferral and to develop a streamlined process.

6. Policies Affecting Proposal:

Careful consideration of stewardship of public funds, and tax policy will be determining factors.

7. Alignment with 10-year plan, way we grow

The Way Ahead, P16, Ensure Edmonton's Financial Sustainability

The City will work to diversify revenue sources while maintaining the obligations the City has to its citizens. This goal relies on the revenue benefits that could be realized from the other goals, such as Economic Diversity and Urban Form transformation.

The Way We Prosper, 5.3

The City of Edmonton must support the growth of the local economy by removing barriers to innovation, efficiency and investment by businesses and entrepreneurs if it is to provide an effective business climate. It must improve the speed, predictability and consistency of processes that support business development and ensure that businesses and investors alike are met with a level of customer service that sets the City apart from its competition.

The City's departments must inspire an entrepreneurial culture within City administration and demonstrate an appreciation for the importance of economic development. This can be achieved by investing in infrastructure and changes to City processes so goods, people and ideas move more efficiently and effectively.

STAKEHOLDER RECOMMENDATION 4:

Reduced parking requirement for Mixed Use and Live Work Space

ANALYSIS/RATIONALE:

Live Work units provide a flexible opportunity for entrepreneurs and artists as they keep the startup cost of a business low, and promote an affordable lifestyle. As we move toward a pedestrian and transit-based city and downtown, we need to consider the importance of parking requirements for residents and businesses in our downtown core.

Mixed use, particularly in terms of allowing a range of residential uses to be included in existing commercial buildings is a viable solution to office conversion given the recommendation by Altus that demand is not extraordinary for a single asset class. Mixed use provides opportunity to distribute asset classes over various developments. This is also of added benefit to the retail sector as the development provides built-in density.

Within these classes of development, parking is a potential barrier to conversion. Certain properties may not have the necessary parking built into the property to facilitate conversion, making the financial model unviable or unattractive.

1. Data Collection and Maintenance

Data collection can be handled internally with City Administration on the effects of a parking relaxation to promote development of mixed use. The City of Edmonton could use current parking data to determine if there is potential to provide parking requirement relaxation on development.

2. Marketing Tools and Partnerships

Information could be shared on this initiative through BOMA, DBA, EEDC, and NAIOP.

3. Summary

This initiative plays a role in our downtown's ability to attract and retain residents, employees and employers. A downtown built on entrepreneurs is an "Edmonton Made" solution to our office vacancy problem.

Trends towards walkability continue to be a determining factor in residents' decisions on where to work and live. Our dependency on vehicles and parking is becoming less important.

Benefits of a single tower mixed-use development could include a variety in the size of housing units, life-cycle housing (starter homes to larger homes to senior housing) concentrating housing, workplaces, retail, and healthcare.

Live Work Space fills a gap in terms of “small bay businesses” that doesn’t exist in our city or our downtown. There is added development incentive as the parking requirement is considerably less than traditional residential or commercial developments. Vancouver has utilized Live Work developments where some suites are subsidized at \$1/year for the arts while other suites have rents at significantly lower market values.

Mixed use development also offers many advantages to downtown and Edmonton has a whole. Trends towards walkability continue to be a determining factor in residents’ decisions on where to work and live. Our dependency on vehicles and parking is becoming less important. Benefits of a single tower mixed-use development could include a variety in housing choice in the downtown, and providing more homes close to workplaces, retail, and healthcare.

4. Alternatives for Consideration:

All parking requirements for all uses in the downtown could be removed in recognition of the excellent transportation access and walkability of the area. This would remove significant barriers to development and redevelopment in the downtown core.

5. Financial/Staffing/Legal Implications:

Financial – Revenue from a taxation and permitting standpoint should be considered.

Legal – Updates to Zoning Bylaw 12800 would be required to be undertaken through a City Council Public Hearing. .

Staffing – Existing City of Edmonton staff would be able to prepare the proposed amendments. Further data collection could be supported through funds allocated for the comprehensive review of parking regulations. .

6. Policies Affecting Proposal for Mixed Use:

Existing parking rates for commercial uses in downtown Edmonton are fairly low.

Existing parking rates for residential uses vary across the downtown zones and are generally higher than the number that would be required for the same sized commercial building.

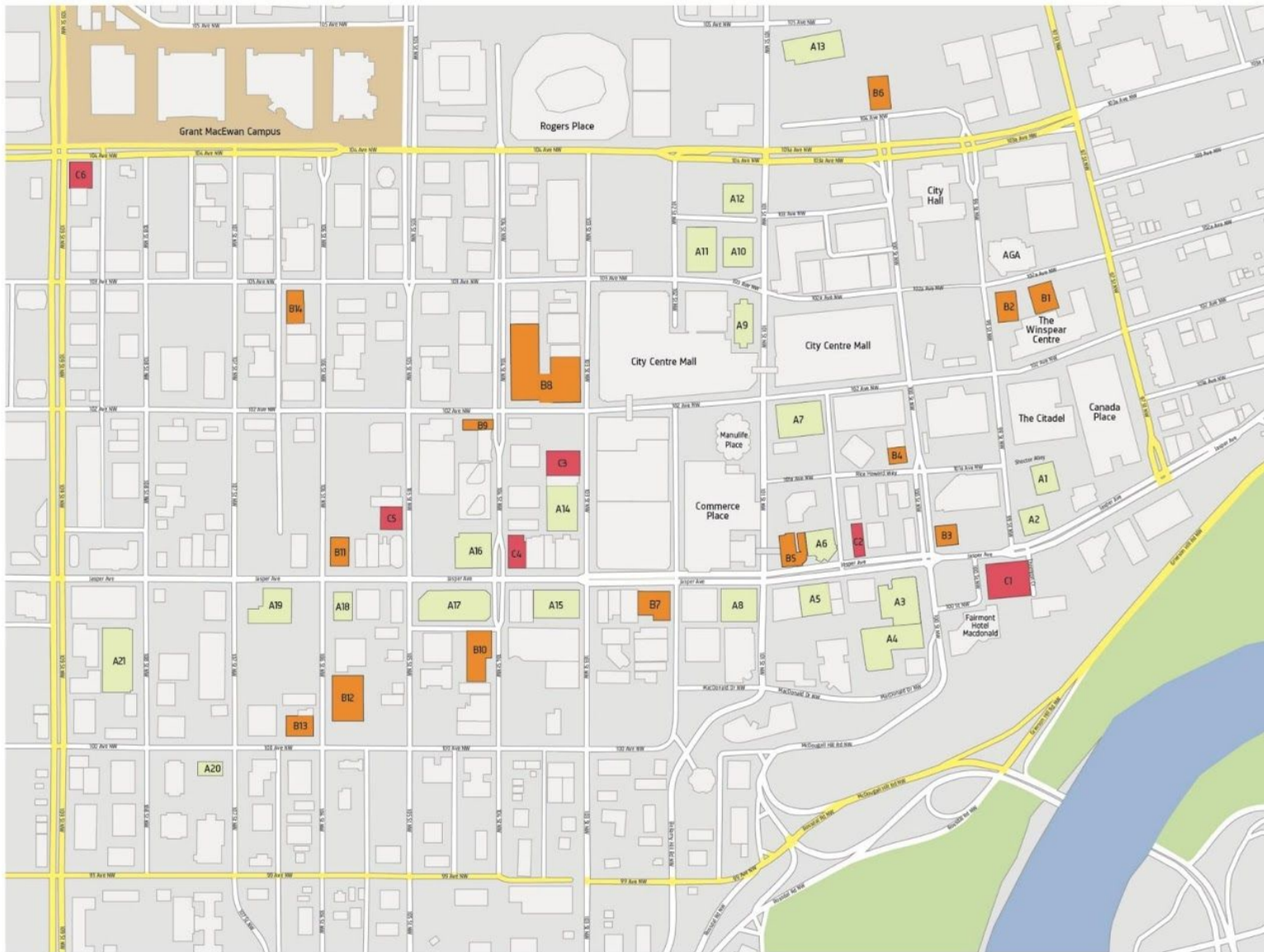
Policies Affecting Proposal for Live Work Space:

- In the downtown area, Live Work units are exempt from requiring parking for employees, but may still need to meet the residential parking requirement, which can range from 0 to 0.8 spaces per unit depending on the number of bedrooms.
- Only four Commercial Use Classes can operate within the Live Work Unit, including Personal Service Shops, Professional, Financial and Office Support Services, Creation and Production Establishments and Health Services.
- Neither the residential component of the unit, or the commercial component of the Live Work Unit may exceed 75% of the Floor Area

7. Alignment with The Way We Grow

City Policy

- The Capital City Downtown Plan does generally support Live Work concepts and mixed use development within the downtown area.
- For mixed use, the plan states that:
- Downtown will be inclusive of all aspects of live, work, and play within proximity to each other. (Page 28)
- These streets are characterized by Mixed-use buildings, with tall, transparent, ground-floor live/work and commercial spaces. (Page 108)
- Specific policy on Live Work Units is focused on an “Artists Quarters” building that will provide Live Work Units for its residents.
- Encourage the reinvigoration of the Arts Habitat Association of Edmonton (ArtsHab), to enable them to continue developing more artists “live-work studio projects” in the Downtown. Support efforts to establish a long-term supply of affordable artist live-work studio space within the Downtown; encourage and assist artists, arts and cultural groups and related professionals in finding live-work space in the Downtown. (Page 85)
- To sustain and grow the downtown arts community it is necessary to continue to support the development of artists live-work housing, new studio and exhibit spaces, festivals and special events which celebrate the arts, the artists and their presence in the Downtown. (Page 92)
- Recognize artists as an important, distinct community within the Downtown. Support and promote downtown artists and arts organizations in a number of endeavours, through start-up funding and access to administrative support. Providing further support through funding and organizational assistance for artists” live-work housing (Policy 6.8 – Artists’ Live-Work Housing). Page 93 (8.8)
- Special Streets and Alleys are characterized by Alternate commercial/retail with live/work. (Page 112)



SIGNIFICANT DOWNTOWN OFFICE VACANCIES

Name	Avail. Office Space (sq/ft)	Vacancy Rate
A1	Sun Life Place	
A2	9Triple8	
A3	ATB Place North	
A4	Telus House	
A5	First and Jasper	70,921 33%
A6	Scotia Place	
A7	Bank of Montreal	111,796 99%
A8	Royal Bank Building	31,761 24%
A9	HSBC Bank Place	183,589 67%
A10	Bell Tower	
A11	Stantec Tower	
A12	Edmonton Tower	
A13	Epcor Tower	
A14	Enbridge Place	
A15	Canadian Western Bank Place	
A16	Cecil Place	
A17	10405 Jasper Ave	103,203 26%
A18	HSBC Building	
A19	First Edmonton Place	59,485 26%
A20	Petwin Tower	29,611 35%
A21	44 Capital Boulevard	
B1	Century Place	
B2	Chancery Hall	
B3	World Trade Centre	
B4	100 Street Place	18,042 41%
B5	Empire Building	
B6	CN Tower	72,411 26%
B7	Enbridge Tower	
B8	Boardwalk & Revillon Building	
B9	Metals Building	9,194 37%
B10	Milner Building	
B11	Energy Square	49,059 42%
B12	Baker Centre	
B13	Highfield Place	74,126 74%
B14	10248 106 Street	6,543 36%
C1	MacDonald Estates	18,068 86%
C2	CDI Building	26,301 71%
C3	The Beaver House	21,536 30%
C4	Birks Building	
C5	Sylbert Place Building	
C6	Dorchester Building	16,906 30%

*Highlighted properties with over 20% vacancy rate



Disclaimer: this list is a non-comprehensive list of vacant office space in downtown Edmonton. Figures are derived from Avison Young, Kennedy, CBRE, Colliers, Cushman Wakefield, Dream, JLL, Morguard, Qualico, and Strategic websites (as of February 2020).

Overview

Street Smart. World Wise.

There has been a lot of public dialogue regarding the Downtown Edmonton office market over-supply market conditions, however this singularly examines just the supply side of the market. It is important to have a broader perspective as to the whole market in terms of supply, demand and pricing.

Supply – The Downtown Edmonton office vacancy rate will top out at approximately 20% vacancy, entailing 3.0 million sf of vacant office space. This will occur in 2018. To provide some context as to how much vacant space this represents, the Downtown vacancy is equivalent to more than 4 stacked Manulife Place office towers, comprising in total 150 stories, with each 20,000 sf floor being vacant.

Demand – The long-term average absorption rate in the Downtown core is the equivalent of 4 stories per year (80,000 sf per year). This is likely a very optimistic forecast moving forward as the large office space demand drivers over the past several years have solidified their real estate requirements by making major real estate moves recently. The large demand drivers in the past real estate cycle included Epcor, ATB, Enbridge, Stantec, City of Edmonton, Alberta Health Services and the Province of Alberta.

Market Equilibrium – To move from a substantive over-supplied market at 20% vacancy to a balanced supply / demand market of 10%, this will be extended well beyond 10 years.

Office Conversions – Similarly there has been a lot of conversation related to the conversion of high vacancy office buildings and repurposing them as multi-family, seniors housing, hotel, or community service. Again, it is important to understand that it is very capital intensive to change asset use and carries higher investment risk. Each of these alternative asset classes have their own supply – demand issues

and feasibility of conversion. Simply put the level demand for these alternative asset classes is likely only sufficient to likely support only one office building conversion for multi-family, one conversion for seniors, and one conversion of hotel. Proportionally the small quantity of office buildings converted will assist in improving the market balance, however with 3.0 million square feet of vacant office space, there will still remain a high proportion of vacant office space on the market.

Market Rent and Market Values – The Downtown office market real estate cycle peaked in Q2 2014 (vacancy rate 9%) and since then has been in a contraction phase. As vacancy continues to escalate this is putting downward pressure on market rents through the time honoured laws of supply and demand. In a heavily over-supplied market, the predominant way to compete is with price / market rent to induce tenancy relocation. Downtown office market rents have been trending lower, and in-turn Downtown office market values, *for the most part*, are also trending lower.

In the midst of the contraction phase of the Downtown office real estate cycle several benchmark high-vacancy office building sales occurred in Q1 2017 at a far lower capital cost base compared to values **Street Smart. World Wise.** during the expansion phase of the real estate cycle. Undoubtable the new building owners with a substantially lower capital cost base have the means to move market rents far lower to induce relocation as they are carrying very high level of vacancy in the buildings they just purchased. The next step of the Downtown Edmonton office real estate cycle will be further downward pressure on market rents as competitive forces unfold.

Incite

Downtown Vacancy Session Summary Provided by
Incite Marketing

EEDC

February 1, 2017

incite 7erview

On Thursday, January 26, 46 individuals from the COE, EEDC, BOMA, and the development industry congregated for a collaborative discussion and brainstorm session in response to COE Councillor, Andrew Knack's motion.

City Council Motion

8.2 [Alternative Downtown Tower Uses \(A. Knack\)](#)

R. G. Klassen, Deputy City Manager, Sustainable Development, answered Council's questions.

Moved A. Knack - S. McKeen:

<p>Alternative Downtown Tower Uses</p> <p>That Administration engage in a discussion with downtown properties owners, Building Owners and Manager Association Edmonton, Edmonton Economic Development Corporation, and other industry stakeholders on ways that the City of Edmonton could explore options with how we can stimulate office tower conversion in the downtown core, and report back to Committee.</p>	<p>Sustainable Dev.</p> <p>Due by: Jan. 31, 2017</p> <p>Exec. Committee</p>
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In Favour:

D. Iveson, B. Anderson, M. Banga, T. Caterina,
B. Esslinger, E. Gibbons, B. Henderson, A. Knack,
D. Loken, S. McKeen, M. Nickel, M. Oshry, M. Walters

Carried

Session Objective

To begin to build alignment and collaboration by having a multi-stakeholder conversation about repurposing or reimagining downtown office tower spaces to counter rising downtown vacancy rates.

Pre-discussion facts and information

- Downtown vacancy rate is currently at 20% and rising
- Financial incentives are not to be part of the discussion today
- There are currently several vacant or underused spaces that could be repurposed or reimagined for better attraction and usability

Session Format

The session was held from 9:30am-11:00am in the conference room, 8th floor, EPCOR building and was facilitated by Margo Schulte Long, Senior Associate and Partner with Incite.

Participants sat randomly at tables (7 tables total, of 6 or 7 people) with name cards. Participants were guided through an initial short listing discussion with their tables and then went into depth for up to three of their “ideas”.

Agenda

9:30am–9:40am	Introduction
9:40am–10:00am	Short listing
10:00am-10:30am	In depth idea brainstorming
10:30am-10:50am	Group reporting
10:50am-11:00am	Wrap up and checkout

Encite summary

Overall, comments from the evaluation and during the session agreed that it was a good beginning, but that participants need to see further action taken for this to feel worthwhile. Many participants mentioned or discussed the importance and need for an immediate pilot project focusing on creating a mixed-use building model, and collaboratively designing new processes and partnerships within the pilot structure to remove potential existing bureaucratic and policy barriers. Key themes in the discussions were around collaboration, cost sharing, flexibility and creativity, and mixed usage.

Session Harvest

Attendees

1	Bob Brown	Melcor
2	Jeff Stork	Melcor
3	Tony Napier	Hines
4	David Kane	EEDC
5	Ian O'Donnell	DBA
6	Paul Ross	COE
7	Andrew Knack	COE Councillor
8	Steve Lenarduzzi	Clark Builders
9	Zack Ramji	Capital Region Housing
10	Mark Anderson	CBRE
11	Laura Bradley	Manulife RE
12	Dan Rose	EEDC
13	Kevin McKee	Pangman Dev Corp
14	Ronald Benjamin	Stromiga Inc.
15	Dan Demers	RMS Developments
16	Walter Trocenko	City of Edmonton
17	Rita Melo Reuss	Manasc Isaac
18	Justin Carmell Sidney	EEDC
19	Waskiewich	Qualico Commercial
20	Will Harvie	Cushman & Wakefield
21	Gillian Trimbee	EEDC
22	Kevin Humphrys	Dream Property Management
23	Keith Wensel	Altos Group
24	Grant Larmour	CBRE Limited
25	Shaun Wuschke	Bentall Kennedy

	Anthony	Humford Management
26	Patenaude	Inc./BOMA
27	Jarrett Campbell	Sparrow Capital
28	Nick Pryce	V3
29	Kyle Duperron	EEDC
30	Glen Scheuerman	
31	Eric Slatter	Omada Commercial
32	Valerie Sosnowski	Aspen Properties
33	Lindsay Schrader	Aspen Properties
34	George Schluessel	Procura, RE
35	David Hales	COE
36	Mike Saunders	Qualico Commercial
37	Darcy Armstrong	GWH Realty Advisors
38	Anand Pye	NAIOP
39	Robert Guenther	COE
40	Terri Langen	COE
41	Lance Frazier	Cushman & Wakefield
42	Beryl Charousset	EEDC
43	Chris Duluba	Beljan Development
		RMS Developments
		Primavera
46	Alyssa Lefaiivre	DIRTT

The logo for 'Incite' is displayed in a light gray, sans-serif font. The letters are lowercase and spaced out. A small 's' is positioned to the right of the 'e'.

Ideas Master List

1. Convert to residential (micro residential. 400-650 priced appropriately)
2. Low income housing
3. Marketing program to move suburban tenants to c class space (same cost) closer to the action
4. Student housing
5. Mixed use portion residential/portion commercial (C class)
6. Incentive program (Deferred tax) with environmental tie in, increased energy efficiency, accessing grants
7. Seniors housing/extended care
8. Collaboration between private, NPO, and COE to provide access to affordable housing for the hard to house population
9. Demolition: Long Term, Short term
10. Acceptable temporary uses (Condos, hotels, student housing)
11. More responsive tax structure- mixed market approach
12. Retain use--office space upgrade, joint marketing, cleaning house of space available
13. Government--downtown advocacy, availability to work with CDC, property tax credit, development rights, land swap
14. Performance-based tax incentive. Retroactive action/grants, for speed.
15. Mix-use Buildings. Fast-tracked Permit Process, zoning.
16. Green Space. Pilot program? BOMA, Gov. Developers, City buys building, takes shares & risk, school in empty buildings.
17. Maintain, repurpose, demolition.
18. Property Tax Relief for redevelopment
19. Flexibility of uses-specific needs
20. Open up land use
21. Ease of demolition
22. Getting all levels of Gov't on side
23. COE social housing-COE purchase real estate
24. Safety downtown
25. Incentives for environmental initiatives
26. Multi-use
27. Conversion to seniors
28. Health care
29. Incentive package should be a collaboration
30. Property tax incentives
31. Affordable housing using-public tax dollars
32. Affordable housing & development with city (rezoning)
33. Define a consistent regulatory framework
34. Fast track zoning & permitting process

35. Collaboration between province & city for business/investment/talent attraction
36. Alignment of resources
37. Marketing low cost rate for living & office space
38. Stimulation & encouragement of proper land development
39. Repurposing to multi-residential
40. Team to evaluate which buildings are viable for conversion.
41. Better understanding current obstacles, alignment & common language re: where we want to go"

Idea name		Barriers	Anyone else who should be a part of this conversation	Who would attend another discussion
Incentive program to convert		<ol style="list-style-type: none"> 1. New builds are "punished". 2. \$ Cost to convert 3. Availability to "backfill" 		
Supported/Affordable Housing		<ol style="list-style-type: none"> 1. Funding 2. Limited support for government for this option and traditional build out 3. Nimbyism 4. Earning requirements by developers 5. Cultural dimension 6. Need to support densification (density is outside urban core) 	COE GEF Seniors/other service providers Other housing bodies	
Policy and Strategy		<ol style="list-style-type: none"> 1. Buy in from stakeholders. 2. Competing interests 3. Speed / responsiveness of govt. 		
Temporary Uses		Existing building on site Floor plate challenges		
Mix Use buildings		<ol style="list-style-type: none"> 1. City zoning bylaws, parking bylaws. 2. Issue with potential demand. 	City planners Zoning bylaw officials	Cross-section of industry and gov't (need to connect Provincial Gov't). Financial institutions/lenders should be brought in.
Taxation Grants		<ol style="list-style-type: none"> 1. Bureaucracy 2. Legislation 	City of Edmonton Government Planners & Developers	City of Edmonton Government Planners & Developers
Green Spaces & Amenities		<ol style="list-style-type: none"> 1. Opinions on the need for parking. 2. Zoning issues for schools/daycares-need space to attract families 	Province discussion on daycare. Altus - financial appraisal.	Gov't driven-need and province. Developers

		<ul style="list-style-type: none"> 3. Can't apply suburban rules downtown. 4. Daycare is only about 2 years, need elementary/middle schools downtown. 		
Property Tax Relief		<ul style="list-style-type: none"> 1. Current policies 2. MGA 3. Picking winners and losers 4. Good landlords subsidising poor landlords to improve. 	City Assessor Council	Anthony Pattenau
Government Hand		<ul style="list-style-type: none"> 1. Gov't capital 2. Gov't Expertise 3. Supply/demand 	council	
Flexibility on Land use		<ul style="list-style-type: none"> 1. Current regulations, rigid structure, slow approval process. 2. Market forces 3. Holding costs 	Planners Industry Nick Pryce Peter Ohm	Planners Industry Nick Pryce Peter Ohm
Downtown advocacy & championing (i.e. UofA/Gov't in the core)		<ul style="list-style-type: none"> 1. Changing of the cabinet, changing perspectives. 2. Province driven by short-term, bottom line costs. 3. Possibly no policies to support move. 4. Lack of champions/accountability @ higher levels 	EEDC-back& forth on scope/focus-should have more focus on downtown. U of A BOMA, advocates for backfills Provincial gov't, federal gov't	Ken Cantor Chris Dulaba Darcy Ennis
Improve Business Processes		<ul style="list-style-type: none"> 1. No defined "official" downtown core. 2. Giving opportunities to fight (encouraging NIMB4) 3. Administrative cooperation/impediments 4. Bylaws (zoning) needs a refresh 5. No ability to self-permit (e.g., single family program, or Vancouver) 	Gary (DCM) Linda Cochrane UDI-Udoft	Ken Canter Chris Dulaba Darcy Ennis
Tax Deferral (while space is retrofit-obtain City objective)		<ul style="list-style-type: none"> 1. Rent & operating costs on top of taxes. 2. Demand for this type of real estate. 3. Need to see an affordable option for investing. 4. Entities like GoA consolidating space. 5. Costs to demolish 	Province/governmental representative. Additional external companies NAIOP - contributes to research base Look at how it's been done in other cities/municipalities	Municipal Provincial Federal representa

		6. Converting to park space & loan land to City.	(research & analysis)	
Framework for mixed-use & housing conversion		<ol style="list-style-type: none"> 1. Tax. "If this, then that"-was not possible to replicate 2. City administrators' provincial money - Edmonton may lack autonomy with tax policy. 3. Length of time to get a development permit. 4. Operating cost control, taxes per unit. 5. Code limitations - \$\$ 6. Accessibility etc. 7. Lack of collaboration 	<p>All orders of Gov't Institutional representation Developers Perceived customer engagement.</p>	<p>All orders of Gov't Institutional representation Developers Perceived customer engagement.</p>
Homeless Housing & affordable housing		<ol style="list-style-type: none"> 1. Developers aren't going to select this as projects on their own 2. Businesses/current residents may not want this nearby 3. Investor promise to maintain use 4. costs of energy improvements 5. Need 100% vacancy to convert 	<p>Government Homeless NFP</p>	
Grants		<ol style="list-style-type: none"> 1. Green energy reporting & endorsing currently has not major incentive to complete 		
City Model				

Participant Evaluation Comments

- Obtained general ideas but no direct results
- Good framework, good discussion
- Very good start, keep it going
- Discussion was good IF the public sector listens to our ideas
- Great first step (2 years late), more steps needed
- Would attend next session
- Put lots of great ideas on the table and ways that can be used to achieve them
- Next steps need to focus
- 7 for the session, but depending on implementation, will either move that to a 9 or a 3...
- Need to quickly move to smaller groups with more focused discussion to start creating real change
- Need more context that conversion will only resolve maybe 25% of the oversupply issue
- It would be useful to have information/data prior to assembling & explaining next steps
- Good start