

### Calgary Office Conversion Incentive Program

In 2021, the City of Calgary introduced a Downtown Development Incentive Program for the conversion of office spaces into other uses, specifically residential. At that time, Calgary's Downtown office market was experiencing much higher vacancy than Edmonton's current rates. Office vacancy was 34 per cent, 14 million square feet were vacant and Downtown offices had collectively lost \$16 billion in assessed value. The concern was that their core would witness a significant flight of capital and activity. A third-party report identified 30 office buildings which might be suitable for residential conversion. All projects must be in the "priority area" as defined in the Incentive Program Guide.

Calgary's program offers \$75 per square foot of office space that is converted to residential use. Incentive funds are issued at occupancy. Somewhat smaller incentives are available for conversion to hotel, post-secondary, or performing arts uses, or for the demolition of buildings. The grant value was recommended by an advisory panel of stakeholders in the real estate and development industries.

Calgary's incentive program has had strong uptake. As of June 2023, 10 projects have been announced as receiving grant funding. Together, these projects will remove 1.15 million square feet of office space and will provide 1,237 new units. \$100 million in municipal funding has been approved for the conversion incentive, of which \$86 million has been committed to the initial 10 projects.

Calgary's goal is to remove six million square feet of office space. Applicants must meet criteria such as evidence of satisfactory financing, a proven track record and appropriate human resources to manage the project. Projects are scored against alignment to the Greater Downtown Plan and other key aspects such as public realm improvement, heritage preservation, sustainable building design and improvements, other unique features

#### Amounts

- \$75 square foot based on original gross building area for conversion for residential conversion; \$15 million per property max unless Council approves more
- \$60 square foot for conversion to hotel use; \$15 million maximum
- \$50 square foot for conversion to post-secondary; \$15 million maximum
- \$15 square foot for projects requiring asbestos abatement, not to exceed 50 per cent of total demolition costs; grant maximum \$3 million