DOWNTOWN OFFICE CONVERSION PROGRAM

Supporting Analysis

Table of Contents

Downtown Office Conversion Program – Supporting Analysis 2
Executive Summary 3
Background 4
Analysis 6
1. Maximum funding per project by Administration 6
2. Alternative incentive structures 8
3. Minimum rate of return threshold 13
4. Appropriate incentive rates 21
Conclusion 25
References 26

Executive Summary

Downtown Calgary continues to experience a structural surplus of office space driven by long-term shifts in how and where people work. Persistently high office vacancy has implications that extend beyond the downtown core, affecting property values, municipal tax revenue, and the distribution of the property taxes across the city. When downtown office values decline, the pressure to fund services does not disappear; property taxes are redistributed to businesses and communities elsewhere in Calgary.

The *Downtown Calgary Development Incentive Program* ('the "Program") was established as a time-limited intervention to address this imbalance by permanently removing surplus office inventory and repurposing underutilized buildings to active uses. By reducing vacancy and stabilizing assessed values, the Program supports a stronger downtown while helping to limit further tax shifts to Calgarians outside the core. In this way, the Program contributes to protecting the broader tax base that funds services relied upon by residents and businesses citywide.

A stronger downtown is an active downtown that also delivers wider economic and social benefits. Increasing the number of people living and spending time downtown supports safety and perceptions of safety through everyday activity and consistent use of public spaces. As Calgary's primary economic hub, downtown plays a central role in supporting jobs, employer attraction, post-secondary education, and investment confidence. Increased activity also supports local businesses and strengthens tourism, events, and the visitor economy. Concentrating activity in a fully serviced area reduces pressure to extend new infrastructure elsewhere and supports more efficient use of public investment.

As directed by Council through the 2026 Budget Adjustments to 2023-2026 Services Plans and Budgets, Administration undertook a comprehensive review of the Program's Terms of Reference in collaboration with the Real Estate Sector Advisory Committee. This review examined program performance, market data, scenario modeling, and feasibility analysis to ensure the Program continues to operate effectively, responsibly, and in alignment with Council priorities.

Based on this review, Administration is recommending targeted refinements to optimize program performance while preserving its core strengths, including:

- **Reduce** the per project approval threshold for administration from $15 million to $12 million (i.e. Council approval required for projects over $12 million) in order to enhance Council oversight and better distribute risk.
- **Maintain** the grant-based incentive model tied to per square footage of office space removed. This preserves the equity of incentives awarded between projects in a predictable way for applicants.
- **Add** a new criteria for *Impact* in the Comprehensive Application Review that includes increased weighting for applications that include affordable housing or innovative commercial uses that would retain a property's Non-Residential assessment class. This provides additional weighting for projects that support the City's return on investment and non-market housing priorities.
- **Maintain** the *Multi-Residential* incentive rate at $75 per square foot, recognizing that its real value today has declined from $75 to $63 per square foot since 2022 when the Program launched due to inflation as well as considering that construction costs have increased considerably. This provides stability for the development industry in the face of rising construction and financial costs.
- **Increase** the *Hotel* incentive rate from $60 to $75 per square foot to encourage more hotel conversion projects recognizing their stronger assessed value and tax payback.
- **Introduce** a new *Other Uses* category to Section 3.2 Eligible Conversion Uses and Incentive Rates to support a broader diversity of non-residential conversions, such as seniors living, educational, and institutional uses. This category allows for competitive incentive rates up to $75 per square foot, supporting innovation, reducing the overall blended incentive rate of the Program, and encouraging projects that align with Council priorities.

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- **Improve** program efficiency and transparency by improving processes within the Program's Terms of Reference and changing the Program name to "Downtown Office Conversion Program"

Together, these refinements are intended to maintain momentum toward market stabilization, strengthen alignment with Council priorities, and ensure that public investment continues to deliver long-term economic value for all Calgarians, as outlined in the analysis that follows.

Background

The Challenge

Calgary's Downtown is significantly overbuilt by North American standards, with more office space per capita than any comparable major city, including more than double that of Toronto [1],[2]. In 2015, a sharp collapse in global oil prices triggered widespread layoffs and cost-cutting across Calgary's oil and gas sector, which is heavily concentrated Downtown. As a result, large amounts of office space were returned to the market through vacancies and subleases, driving Downtown office vacancy rates to a record high over 33 per cent[3]. Because Downtown is a major contributor to municipal property tax revenue, this decline created a citywide challenge. Businesses outside the core bore the burden of the revenue gap, making Downtown office vacancy not only a local issue, but a citywide one.

From 2017 through early 2021, repeated protests and rallies took place outside Calgary City Hall as business owners across the city reacted to sharp non-residential property tax increases. These increases were driven by the collapse in Downtown office assessments, which fell by more than $16 billion after 2015 and shifted over $114 million dollars in annual lost non-residential tax revenue onto businesses citywide. In response, City Council relied on short-term measures to manage the revenue gap, including the Municipal Non-Residential Phased Tax Program, which provided approximately $212 million in one-time relief funded largely from reserves [4]. At the same time, Council noted that the continued erosion of the Downtown tax base was constraining the City's ability to fund services, infrastructure, and community investments across Calgary.

The Downtown office market was further affected by the COVID-19 pandemic, which brought hybrid work to the forefront and caused many companies to right-size their office space requirements. At the height of the pandemic, 2.6 million square feet of office space was returned to inventory in the Downtown market, representing approximately six per cent of total inventory at the time [2]. Despite some return-to-office mandates, Downtown has been permanently affected and continues to experience downsizing due to merger and acquisition activity in the oil and gas sector. This trend is expected to continue in the future [5]. While the pace of change has varied year to year, broader office market fundamentals have not materially improved, and ongoing consolidation continues to negative absorption, reinforcing that elevated vacancy remains a structural challenge rather than a temporary disruption.

Bold Action

Over the past several years, the City of Calgary has made a substantial, long-term investment in Downtown through major civic, cultural, and public realm projects. Initiatives such as the expansion of the BMO Centre, the Werklund Centre, the Glenbow Museum transformation, the revitalization of Stephen Avenue, and the reinvention of Eau Claire Plaza collectively represent well over half a billion dollars in public investment [6]. These projects are intended to strengthen Downtown as a regional destination for culture, events, business, and public life.

The Downtown Office Conversion Program is a critical complement to these investments. While capital projects create high quality spaces and amenities, their full economic and social return depends on sustained daily use, a growing residential population, and a balanced mix of activity beyond traditional office hours [7]. Downtown revitalization requires a multipronged approach that includes capital investment, public realm improvements, programming and placemaking initiatives, and continued advocacy focused on safety and

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vibrancy. Persistently high office vacancy undermines the effectiveness of these efforts by limiting foot traffic, weakening private investment confidence, and constraining the tax base that supports municipal services, infrastructure, and community investment citywide. Calgary's downtown remains heavily weighted toward office space, with comparatively fewer people living in and using the area for dining, culture, and everyday services, limiting activity outside traditional business hours. Office conversions play a central role in addressing this challenge by bringing more people to live and visit Downtown and ensuring that public assets are actively used throughout the day and evening. In this way, conversions function as a cornerstone intervention: they create the critical mass required to change daily patterns of use, support other revitalization tools, and fully leverage the City's significant financial commitment to Downtown Calgary.

This approach of removing office through conversion aligns with evidence from major North American cities, which shows that downtown challenges are not primarily cyclical, but structural, driven by long-term changes in how and when office space is used. The City of New York has been explicit that leaving large quantities of obsolete office space empty undermines downtown vibrancy, while adding residents helps stabilize districts as mixed-use neighbourhoods rather than single-purpose, nine-to-five employment zones [8]. Brookings, an independent research institution that aims to provide nonpartisan research and policy strategies to decisionmakers, reinforces this conclusion at a macro scale, noting that downtowns reliant on office workers are exposed to volatile, single-use demand [9]. Conversions matter because they replace that volatility with a more resilient base of residents who use Downtown continuously rather than intermittently. Downtowns function better when they are active throughout the day and week; residential populations support evenings, weekends, and non-work activity, which in turn sustains local retail, services, and everyday amenities [10].

As residential presence increases, demand for retail, services, and local employment also grows, creating the conditions for stronger street level activity and improved business viability [11]. This activity, in turn, supports office demand by reinforcing downtown as a place where employers want to locate and where employees want to spend time, creating a reinforcing cycle of people, activity, and investment rather than reliance on office demand alone. This same growth in amenities, nightlife, and cultural activity also strengthens Downtown Calgary's appeal as a visitor destination, supporting tourism, events, and the broader visitor economy by extending activity beyond traditional business hours.

The relationship between people, safety, and vibrancy further strengthens the case for conversions. Urban research consistently shows that underused spaces feel unsafe, while populated spaces tend to self-stabilize. The transformation of Bryant Park in New York City illustrates this principle, where the primary driver of improved safety and perception was not enforcement alone, but the presence of consistent, legitimate users throughout the day [12]. In fact, research shows that violent crime within 250 feet of a property increases by approximately 19 per cent once that property becomes vacant [13]. Office-to-residential conversions apply the same mechanism at a district scale. By introducing residents, conversions generate predictable, recurring presence that supports passive surveillance, normalizes positive activity, and improves perceptions of safety over time. In this sense, people themselves function as a form of social infrastructure that complements physical investments in streets, parks, and public spaces.

A recent survey on downtown perceptions provided some interesting insights. In 2025, approximately 65 per cent of respondents agreed that downtown Calgary is vibrant (an increase from 57 per cent in 2024) and 58 per cent of respondents now rate downtown Calgary as a desirable destination for their leisure time (compared to 47 per cent in 2024) [14]. These shifts suggest that recent investments and activity are beginning to translate into improved perceptions, even though only six office-to-residential conversion projects had been completed by the end of 2025. At the same time, perceptions of safety remain mixed, with survey results showing little change year over year. This reinforces the importance of continuing to add residents and everyday users downtown, as increased residential presence is expected to further strengthen vibrancy and support improved perceptions of safety over time. While the progress in vibrancy is encouraging, safety remains at the forefront of concerns for Calgarians.

Downtown Office Conversion Program

The Downtown Office Conversion Program was created on the basis that a long-game approach would be required to stabilize the market. The Program's design and objectives were informed by market analysis and early collaboration with industry and economic development partners, including the Real Estate Sector Advisory Committee (RESAC), to ensure that the incentive responded to real world feasibility constraints and market conditions. In this context, the Program was not intended to provide preferential treatment to individual property owners, but to address a market failure that had already resulted in significant cost shifts to businesses and taxpayers outside the downtown.

Since the Program's introduction, the operating environment for conversions has become more challenging, with higher construction costs, inflationary pressures, and a shrinking pool of smaller and more easily convertible buildings, further underscoring the need for sustained and predictable intervention. To date, the Program has successfully removed approximately 2.68 million square feet of underutilized office space, nearly halfway toward the ten-year goal of removing six million square feet. Although progress has been made toward transforming Downtown into a more vibrant and balanced mix of residential, office, and amenities, significant work remains. There is currently more than 12 million square feet of vacant office space Downtown alone [5], representing the equivalent of approximately six empty Bow Towers.

Taken together, these factors demonstrate that office-to-residential conversions are not simply a housing intervention, but a city-building strategy. By increasing residential presence, the Downtown Office Conversion Program supports vibrancy, improves safety, strengthens local businesses, maximizes the use of existing Downtown infrastructure such as water, wastewater, transit, and utilities, and enhances the long-term return on the City's substantial investment in Downtown Calgary. This Program operates alongside other complementary City initiatives, including the Downtown Post-Secondary Institution Incentive Program, which brings students and educators downtown through the conversion of office space to classrooms, the Downtown Non-Market Office Conversion Grant, which supports 100 per cent non-market housing and helps create long-term housing stability and equity for residents; and the Downtown Office Demolition Incentive Program, which supports the demolition of office space to be replaced with new development.

As part of the 2026 Budget Adjustments to 2023-2026 Services Plans and Budgets, City Council directed Administration through a Notice of Motion to collaborate with the Real Estate Sector Advisory Committee (RESAC) and report back on four suggested improvements to the Program's Terms of Reference:

1. Review the maximum eligible funding limit per project;
2. Examine alternative methods of delivering incentives beyond per-square-foot grants;
3. Include a base rate of return threshold the City is expected to generate after conversion, based on incremental property taxes relative to the grant amount; and
4. Explore the option of a competitive process allowing applicants to propose a project-specific rate per square foot, up to a maximum of $60 per square foot for residential conversions and $75 per square foot for non-residential conversions.

Analysis

1. Maximum funding per project by Administration

The Program currently allows the Incentives Approval Committee to approve funding requests up to $15 million, with Council approval required above this threshold. In 2023, the limit was increased from $10 million to $15 million to reduce approval delays and administrative burden for larger conversion projects, better align with more varied building sizes (up to ~200,000 square feet), and support timely progress toward the City's downtown office space reduction goals.

Approved Projects to Date

Since program launch, 21 conversion projects have been approved. These projects have an average building size of approximately 133,000 square feet and a median size of 112,000 square feet, reflecting a mix of small and mid scale conversions. The average grant amount per project is $9.2 million ($72.88 per square feet).

Six approved projects received funding above $10 million, including one project that exceeds the current $15 million threshold, requiring Council approval. Collectively, these six projects account for approximately 1.3 million square feet (nearly half of the total office space removed to date) and have an average building size of 221,000 square feet. Of these, three projects likely would have proceeded unchanged under a $10 million threshold, while three projects (representing 581,000 square feet and 21 per cent of the total office space removed) would likely not have been able to proceed with a $10 million funding threshold based on scale and funding requirements.

Program Pipeline Indicators

Analysis of the potential pipeline developed in coordination with Gensler and recent vacancy rates suggests that future conversion opportunities are generally larger than early program approvals [15],[16]. Buildings identified as suitable have an average size of 224,000 square feet and a median size of 151,000 square feet. Approximately 40 per cent of these buildings fall below 133,000 square feet and would align with a $10 million threshold, while roughly 60 per cent are below 200,000 square feet and fit within the current $15 million threshold. Buildings exceeding this size would either require Council approval or be more suitable for partial (half) conversions.

At the current incentive rate of $75 per square feet, funding thresholds correspond to the following approximate project scales:

- $10 million: ~133,000 square feet
- $12 million: ~160,000 square feet
- $15 million: ~200,000 square feet

Implications of Lowering the Threshold

Reducing the approval threshold below $15 million presents several risks and considerations:

- Application volume: A lower threshold could result in fewer applications overall, or incentivize developers to target smaller buildings, which are less readily available in the market.
- Complexity and speed: Projects exceeding a reduced threshold would require Council approval, introducing additional reports, timelines, and uncertainty that could slow delivery. It would also slow the momentum of the Program as funding would be potentially on hold until all recommendations could be reviewed by the Incentives Approval Committee (IAC) and Council.
- Project feasibility: A lower maximum grant may be insufficient to close financing gaps for larger projects, increasing the risk of stalled or failed conversions. If paired with a reduced per square foot incentive, feasibility risks would be further amplified.
- Equity and delivery risk: Lowering the threshold could create inequities with larger projects already approved under the current framework and increase the risk that larger, higher impact buildings remain unconverted due to approval and timing constraints.

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Recommendation: Lower the maximum eligible funding limit by Administration to $12 million, while maintaining a path for approval at Council above the threshold

Upon reviewing the existing projects in the Downtown Office Conversion Program, the majority have received total grant funding at or below the $10 million mark. However, projects that received higher overall grants account for nearly 50 per cent of the office square footage removed, demonstrating that larger projects can significantly accelerate vacancy reduction.

It is also important to consider the pipeline of potential buildings that may apply to the Program in the future. With the Program's success to date, many smaller buildings (under 150,000 square feet) with high vacancy are already being converted to residential or other uses. When looking at buildings with high compatibility for conversion and substantial vacancy, the remaining inventory is generally larger than the projects currently approved. This suggests that a higher threshold than the current program average may be required to accommodate future candidates.

In the interest of reducing per project exposure, enhancing Council oversight, and encouraging a broader distribution of funding across projects, the Program could accommodate a reduction in the threshold for Administration to $12 million. This adjustment would still cover most projects in the potential pipeline and is unlikely to significantly deter applications. Given the outsized contribution of larger projects to office space removal, it remains important to retain the structure outlined in the Terms of Reference, including a clear mechanism for Council review of projects that exceed the established threshold for Administration, while balancing efficiency, oversight, and program outcomes.

2. Alternative incentive structures

Starting in 2017, the City implemented the Centre City Enterprise Area (CCEA), which is estimated to reduce development timelines by approximately 60 to more than 120 days. The City of Calgary has also continued to review its City Building Program, including opportunities to reduce development fees and levies to help incentivize development and investment in the Downtown. While these measures have had a meaningful impact, they have not been sufficient to catalyze the level of investment required to reposition the significant amount of dated and underutilized office space in the Downtown.

When comparing the current grant incentive program to other potential initiatives, the range of viable alternatives is limited by provincial legislation. The Municipal Government Act (Section 264) restricts municipalities from providing loans or loan guarantees to organizations other than nonprofits [17]. The City Charter (Section 4.11) further narrows this authority, with limited exceptions related to energy efficiency or conservation initiatives and the delivery of exclusively affordable housing [18]. Because the Program is intended to support a range of market based residential offerings that contribute to a vibrant and mixed Downtown, these exceptions are not applicable. Additionally, loan-based approaches would require substantial upfront capital and introduce significant administrative complexity for the City.

Property tax abatements or deferrals have been used with some success in other North American jurisdictions. This approach delivers incentives over time rather than through upfront payments, reducing near term pressure on City capital resources compared to direct grants. While this structure can lower post conversion operating costs without requiring immediate cash outlays, it has limited impact on risk reduction from a lender perspective. As a result, it would likely reduce overall program participation. In Calgary specifically, comparatively lower multifamily rental rates necessitate stronger upfront incentives to make office to residential conversions financially viable. In addition, the incentive value would be limited to the municipal portion of property taxes, further constraining its effectiveness.

From the City's perspective, property tax abatements introduce longer term exposure to economic cycles, vacancy trends, and assessment uncertainty, while weakening the direct connection between incentives and

the timing or certainty of vacancy reduction. Introducing this approach alongside or following a grant-based program would also delay the realization of tax uplift and complicate performance measurement due to overlapping incentive and repayment structures.

While property tax abatements can be an effective tool in certain development contexts, including greenfield industrial development, their success depends on underlying market conditions and project economics. In the industrial sector, demand is strong and projects are generally viable once land is serviced, with tax abatements helping to bridge the initial development period before stable, long-term tax revenue is generated. The City's interest in advancing industrial tax abatement tools reflects these conditions and the relatively lower risk profile associated with that form of growth.

Office-to-residential conversions in the downtown face a fundamentally different set of challenges. Construction costs are significantly higher, project risk is elevated due to building constraints and uncertainty around achievable rents, and recent softening in the multi-family rental market has further compressed returns. In this context, developers assessing where to deploy capital are more likely to pursue alternative projects with clearer returns and lower risk unless sufficient upfront support is available. In both cases, the objective of public intervention is the same: to help projects reach completion. For downtown office conversions, that support must address materially higher costs and risks in order to enable projects to proceed, stabilize the market, and begin delivering long-term fiscal and economic benefits to the City.

How Grants Compare

Grants provide certainty and speed, which are critical to addressing office vacancy in real time. Grants allow the City to capture the full tax uplift immediately following conversion, with further increases upon stabilization. This materially improves return on investment and accelerates payback, as the net present value of returns under a 10–20 year abatement program is lower than that of upfront grants. Grants are typically paid upon project completion (often within two years of approval), providing predictability and control. From the approval stage, the City also has clearer visibility into prevailing economic conditions, including interest rates, construction costs, and market dynamics. This substantially lowers risk compared to committing to a 15–30 year tax abatement, where future economic cycles, vacancy trends, and property valuations are highly uncertain. Maintaining the current grant structure enables decisions based on observable conditions and supports a more agile approach to capital deployment.

Risks of Disassociating from Square Footage Removal

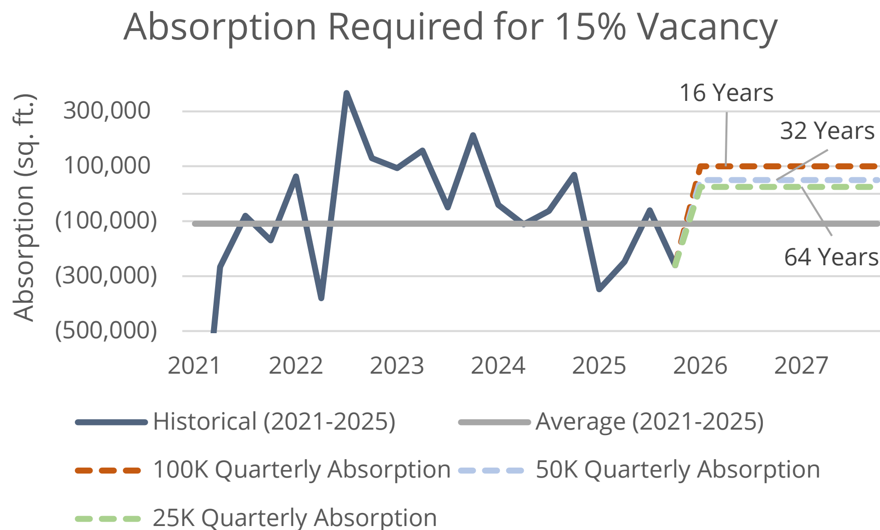
When the Downtown Calgary Development Incentive Program was approved in 2021, Council set a clear and measurable objective to remove six million square feet of surplus office space by 2031, consistent with the implementation of Calgary's Greater Downtown Plan and its long-term vision to transition downtown from an office-centric district to a more balanced, mixed-use centre [19]. This target was established based on the scale of structural oversupply in the downtown office market and the level of inventory reduction required to stabilize vacancy, support property values, and rebalance the tax base over the long term. Square footage removal was therefore embedded as the Program's primary performance metric and core driver of outcomes.

If incentives are no longer tied to square footage removal, the Program loses its clear, measurable link to vacancy reduction. This makes outcomes harder to track, justify, and assess, and risks fundamentally altering the Program's purpose. Flat grants or incentives tied solely to other outcomes, such as affordability, could result in larger projects being under supported while smaller projects receive disproportionate benefit. Ignoring square footage removal may also unintentionally favour lower cost, lower impact projects, reducing overall scale and effectiveness. Additionally, it could introduce ambiguity for developers, who have consistently cited the Program's simplicity and transparency as a key strength.

Calgary's economic strategy (Uplook) emphasizes attracting and retaining talent and employers; however, a downtown dominated by a single residential typology does not fully align with that objective [20]. Calgary Economic Development has noted that office demand has structurally shifted, with even growing companies occupying less space due to hybrid work, rightsizing, and a continued flight to quality, meaning investment attraction alone cannot resolve downtown vacancy. A balanced mix of residential, office, institutional, cultural, and entertainment uses is increasingly viewed by employers, investors, and site selectors as a signal of long-term competitiveness. Overweighting affordability or other individual outcomes at the expense of scale and diversity risks limiting the critical mass of activity, vibrancy, and quality of life conditions that support talent attraction, business and investor confidence, and downtown economic resilience.

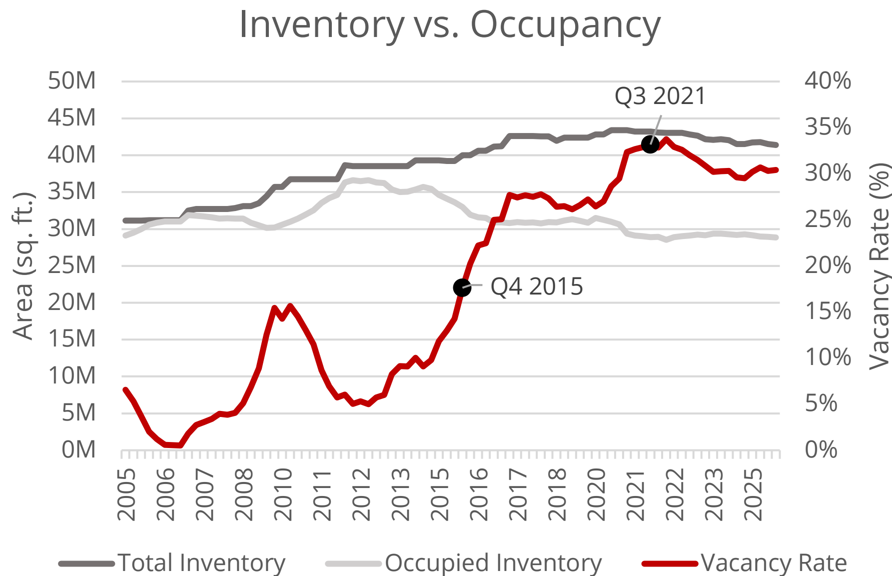
Structural Market Context

The North American office market is experiencing structural change, including slower absorption, persistently elevated vacancy, and fundamental demand shifts driven by remote work and advances in Artificial Intelligence (AI) Calgary's downtown vacancy has remained at historically high levels for several years, and even under optimistic assumptions, the market may be decades away from returning to a balanced vacancy rate of 15 per cent without further intervention.



Source: Analysis based on historical data provided by CBRE (2025) [4].

Calgary today has approximately 10 million square feet more office inventory than in 2005, despite nearly 3 million square feet having been converted to residential and other uses [4]. Occupied space, however, is lower due to structural shifts in the energy sector and post-COVID changes in work patterns. Vacancy trends have clearly broken from historical norms, signaling that this is not a cyclical downturn but a permanent market reset. If the average historical absorption over the past five years were to persist without the continued removal of inventory, the vacancy rate would climb to over 35 per cent in 2030 and over 40 per cent in 2035.



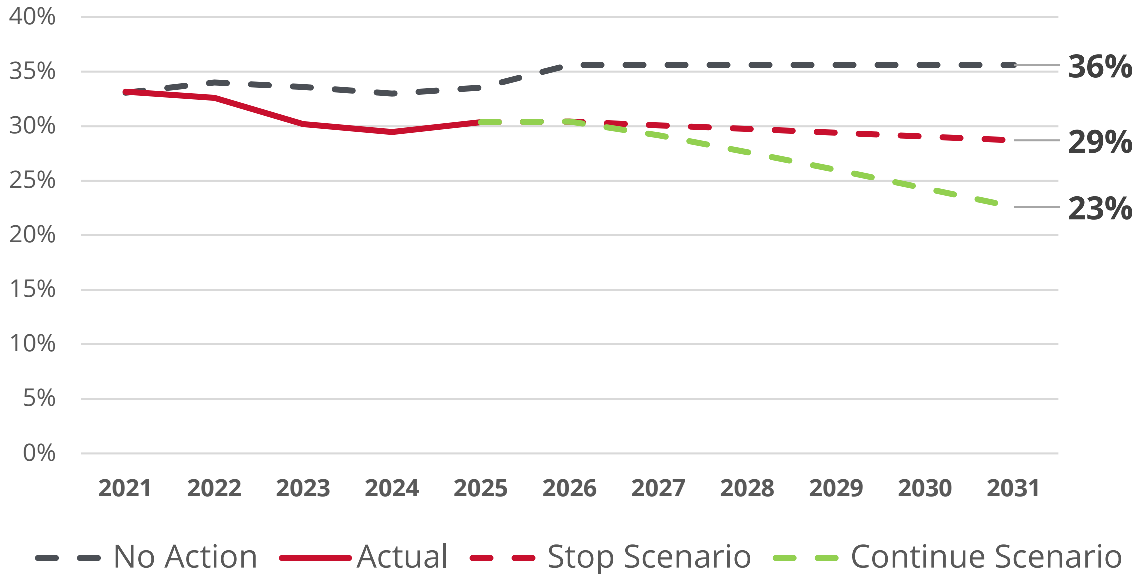
Source: Analysis based on historical data provided by CBRE (2025) [4].

Importance of Continued Inventory Removal

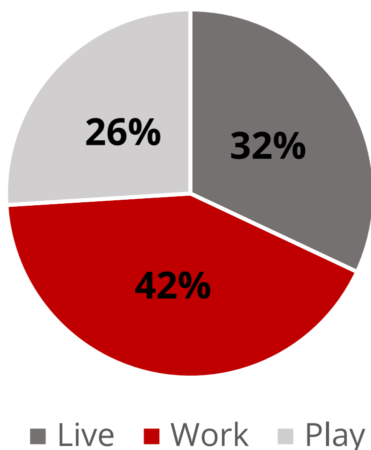
Despite the permanent shift of assessed value from non-residential to residential uses, office inventory removal remains critical to achieving long-term tax uplift. The Program must reach a tipping point at which inventory reduction begins to stabilize the office market and realign supply with demand. Tax uplift will ultimately be driven not only by converted properties, but also by rising values across the remaining, better-performing office stock. As supply tightens, market evidence shows that owners who continue to invest in and reposition their office buildings are better positioned to capture tenant movement resulting from relocations and consolidation, while buildings that do not reinvest are more likely to experience prolonged vacancy. These dynamics support stronger occupancy, rental performance, and ultimately higher property values among competitive assets.

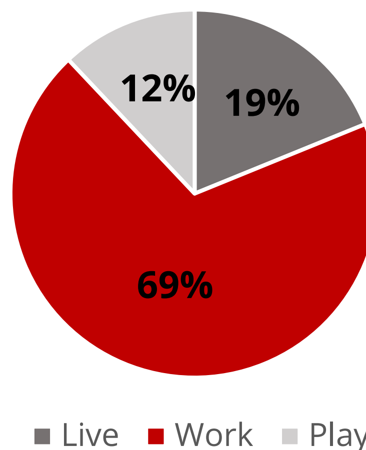
Maintaining momentum is therefore essential to achieving program objectives. Every square foot removed accelerates the timeline to market equilibrium and strengthens Calgary's ability to attract new businesses to the downtown. Lower vacancy builds investor confidence, supports growth in the retail and residential sectors, and creates positive spillover effects across the district.

The vacancy scenario chart below is intended to illustrate the relative impact of inventory removal on vacancy outcomes, using a consistent absorption assumption across scenarios for comparison. To enable this comparison, all scenarios except the No Action scenario below apply an absorption rate of 50,000 square feet per quarter, holding leasing activity constant in order to isolate the effect of removal. Under this approach, the Stop scenario reflects the approximately 2.68 million square feet removed to date, the Continue scenario reflects completion of the full 6 million square feet removal target (an additional ~3.3 million square feet between 2026 and 2031), and No Action assumes no removals of office through conversion. By 2031, this results in approximately a 10 per cent difference in the vacancy rate between the No Action and Continue scenarios. This is roughly a 31 per cent reduction in vacancy relative to the No Action outcome. This demonstrates the material role that sustained inventory removal can play in improving market conditions.



The City of Calgary has made substantial investments in its downtown core to establish it as a world-class destination, including conference facilities, arts venues, and cultural hubs. Despite this, the current downtown land-use mix remains heavily skewed toward office space. A recent Cushman & Wakefield report indicates that resilient mixed-use downtowns generally comprise approximately 32 per cent living space, 42 per cent workplaces, and 26 per cent retail, cultural, and event uses [21]. While each downtown is unique, Calgary's downtown currently consists of approximately 70 per cent workspaces, highlighting the need for rebalancing to support long-term economic recovery and investment stability.





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A more diversified mix of people who live, work, and play (including retail, cultural, and entertainment spaces) attracts residents and businesses, reduces vacancy risk, and drives higher property values, ultimately delivering stronger returns on investment and resilience against market shocks.

Recommendation: Maintain the current method of delivering an incentive tied to per square footage

The review of alternative incentive structures indicates that grant-based incentives remain the most effective, efficient, and transparent mechanism for driving downtown office conversions at scale. While alternative models such as tax abatements, loans, or guarantees may appear attractive due to reduced upfront expenditures, they are demonstrably inferior in addressing the immediate financing gaps that prevent conversions from proceeding. These models introduce greater administrative complexity, longer timelines, higher long-term risk, and ongoing operational costs that extend well beyond the life of individual projects. Calgary's office conversion incentive program has been widely recognized by developers, municipalities, and industry experts as a leading example of a simple yet highly effective model. Its clarity, predictability, and direct link to square footage removal have enabled meaningful progress in a relatively short period of time. Importantly, the Program is designed as a condensed intervention to address a structural market imbalance, rather than a perpetual subsidy. In contrast, long-term incentive mechanisms (such as tax abatements or lending programs) would require sustained operational funding to manage compliance, monitoring, and program obligations over decades.

The assumption that Calgary's office market will recover organically over time is increasingly inconsistent with observed market conditions. Structural shifts in office demand, changes in work patterns, and prolonged elevated vacancy suggest that meaningful recovery is unlikely without deliberate intervention. Simply attempting to fill vacant office space with new businesses will not materially alter downtown dynamics or absorption trends. While private industry, economic development organizations, and advocacy groups have invested significant effort to attract new employers downtown, these efforts alone cannot resolve the scale of surplus office inventory.

This perspective is shared by Calgary Economic Development, which has emphasized that downtown revitalization and economic diversification require multiple tools working together. As noted by Brad Parry, President and CEO of Calgary Economic Development: "Downtown revitalization and economic diversification are long-term efforts that require multiple tools working together. Investment attraction and business growth remain critical, but they must be complemented by programs that permanently reduce excess office supply and adapt the downtown core to new ways of working and living. Office conversions help create the conditions for a vibrant, competitive downtown that supports talent attraction, business confidence and long-term economic resilience."

Removing office square footage and replacing it with more diverse and vibrant uses is critical to accelerating downtown's economic recovery and supporting city-wide economic resilience. A broader mix of residential, cultural, and commercial uses enhances quality of life, strengthens Calgary's value proposition to newcomers, and supports long-term investment confidence. The Program directly enables this transition and is already contributing to a more balanced downtown ecosystem.

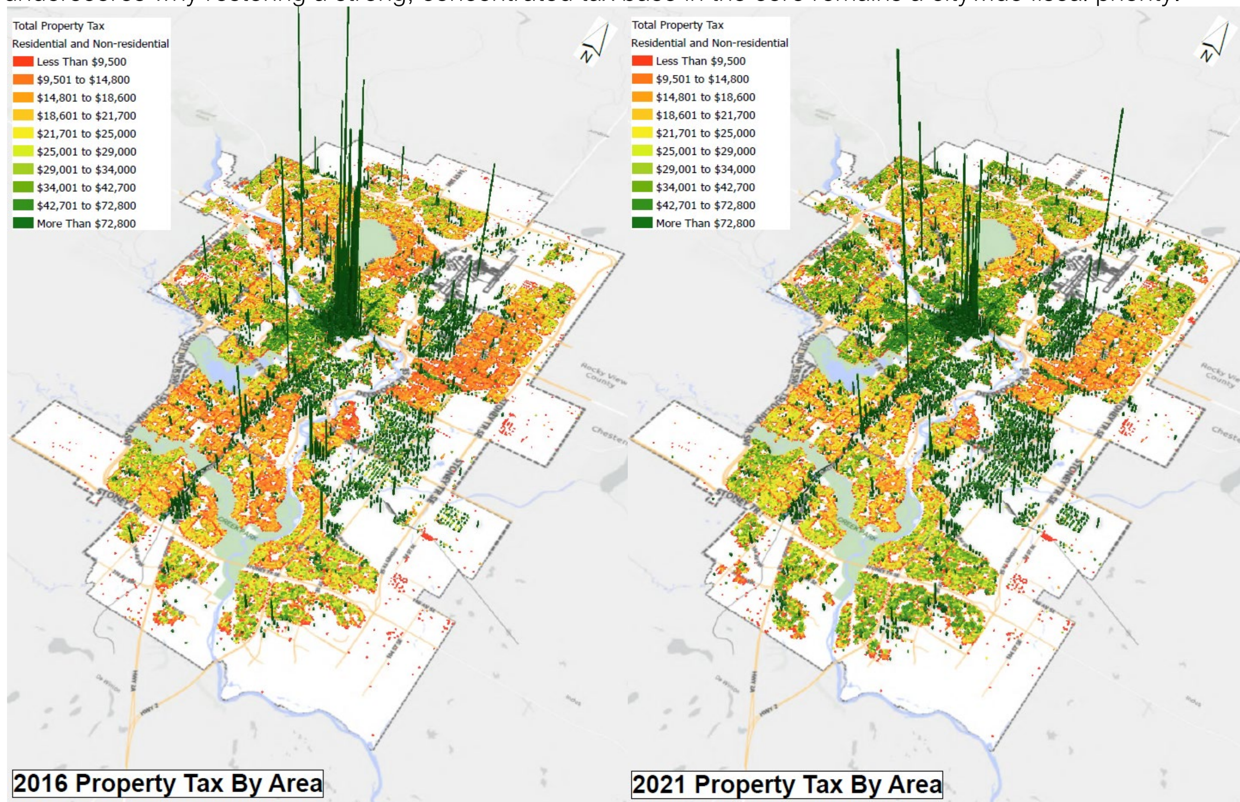
At the same time, it is neither prudent nor sustainable to apply unlimited capital to this Program indefinitely. While the current structure is working as intended, it requires sufficient time and continuity to achieve scale and market impact. As such, it is appropriate to pair the existing grant model with clearly defined timelines or market-based triggers that would enable a transition toward lower capital, more sustainable programming as office market conditions stabilize. This approach balances effectiveness with fiscal responsibility, ensuring that near-term intervention is decisive while longer-term policy evolves in line with measurable outcomes.

3. Minimum rate of return threshold

This analysis examines whether a minimum project level payback threshold can be reliably calculated and applied at the time of approval, and whether such an approach would support or constrain the Program's core objective of reducing surplus downtown office inventory. Before assessing whether a minimum rate of return threshold can be established, additional context is required to understand the depth and duration of the challenges Calgary has faced and continues to face. For clarity, when discussing the rate of return associated with the Downtown Office Conversion Program, the focus is on the financial return to the City through incremental property taxes generated. This is distinct from the broader economic and strategic returns of the Program. In this context, the fiscal implications of a "do nothing" scenario are also relevant.

Between 2017 and 2021, the City relied on approximately $212 million in reserve funded relief through the Municipal Non-Residential Phased Tax Program to manage the impacts of declining downtown office values [5]. While this approach temporarily addressed tax shifts, it did not result in lasting market change. By contrast, a comparable level of investment was made through the Program between 2021 and 2025, which is now resulting in the permanent removal of surplus office inventory, the creation of new residential and mixed-use assets, increased private sector investment, and the foundation for long term tax base recovery. In this context, the Program should be viewed as an investment that delivers tangible outcomes rather than a short-term expenditure intended to bridge revenue gaps.

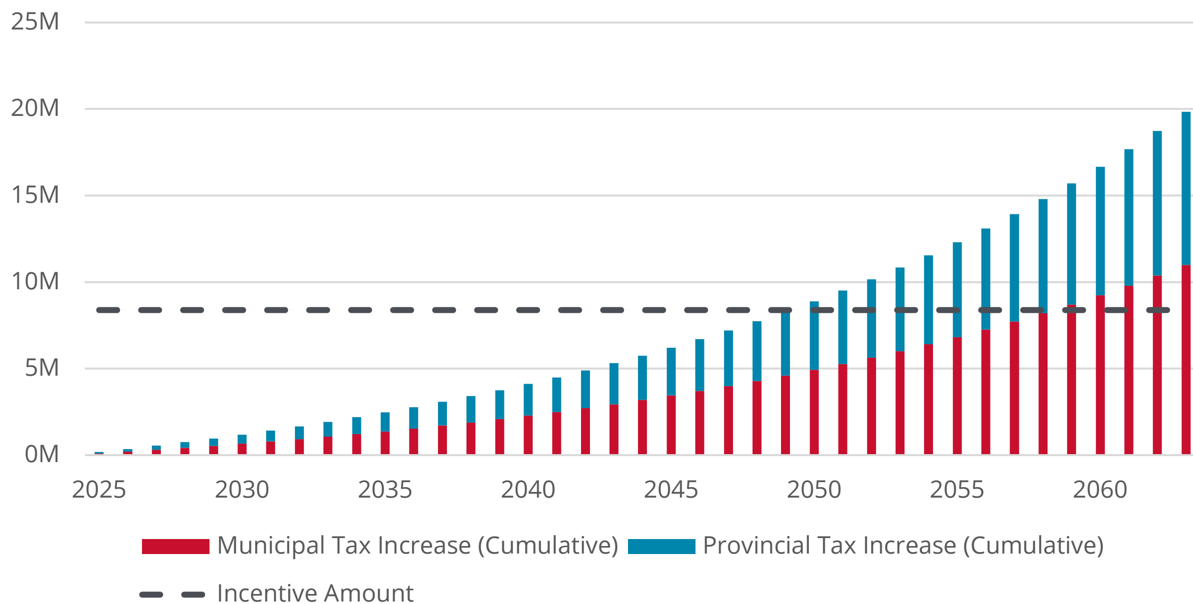
The following charts illustrate the adjustments to property tax distribution across the city. Prior to 2016, the downtown area of the city was contributing approximately 18 per cent of total property taxes in 2016, which fell to 10 per cent by 2021. The maps illustrate this shift visually. In 2016, Downtown Calgary appears as a concentrated area of high tax contribution, reflecting its historic role as the City's primary fiscal engine. By 2021, that concentration is significantly diminished, with tax revenue more broadly dispersed across suburban areas and non-downtown businesses. This change demonstrates that the loss of downtown office value has not been offset by growth elsewhere but instead redistributed across a wider portion of the city. A more dispersed tax base places increased pressure on businesses and residents outside the downtown and underscores why restoring a strong, concentrated tax base in the core remains a citywide fiscal priority.

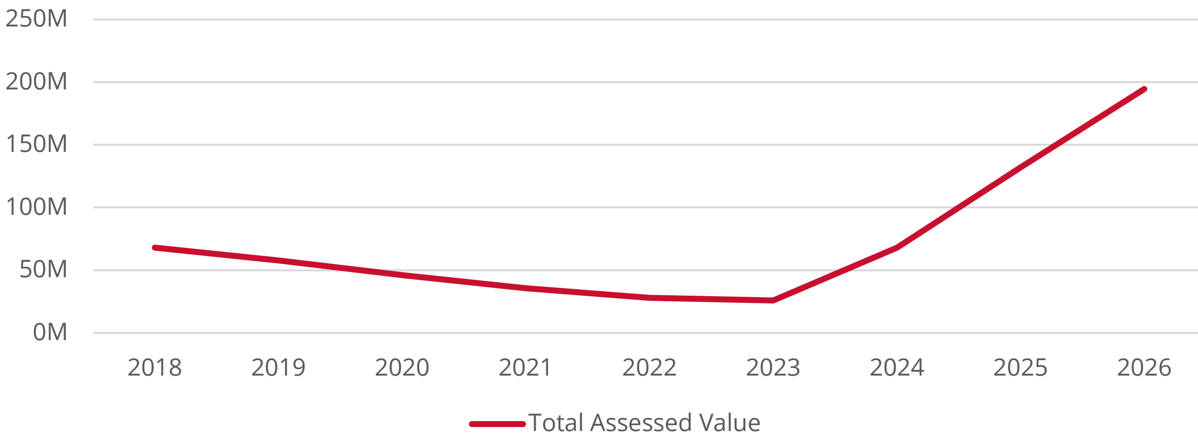


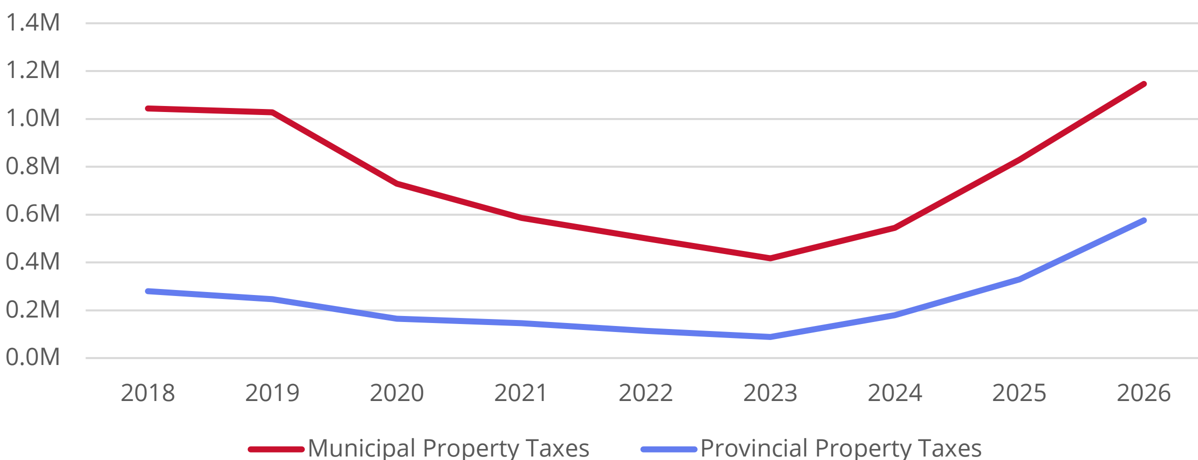
Observed Outcomes to Date

Analysis of completed conversion projects demonstrates that office to residential and other adaptive reuse projects result in increases in assessed value and corresponding property tax uplift when compared to buildings that continue to underperform as office space. Early results indicate that converted buildings generate higher property taxes than vacant or minimally occupied office buildings, with uplift beginning immediately following project completion and increasing further as projects stabilize. It is also important to recognize that not every converted building will generate the same level of property tax uplift. The benefit of conversion is often realized elsewhere in the downtown office market, as tenants relocate into higher quality buildings, improving occupancy and assessed values across the remaining office inventory. Because this movement largely stays within the downtown, the overall tax base is stabilized even where individual project level payback appears modest.

The following figures illustrate how office-to-residential conversions contribute to assessed value recovery and property tax uplift over time, using completed conversions as representative examples. Taken together, the figures provide an example of what the timing of tax payback can look like relative to the initial incentive, as well as the broader pattern of assessment recovery as projects stabilize.



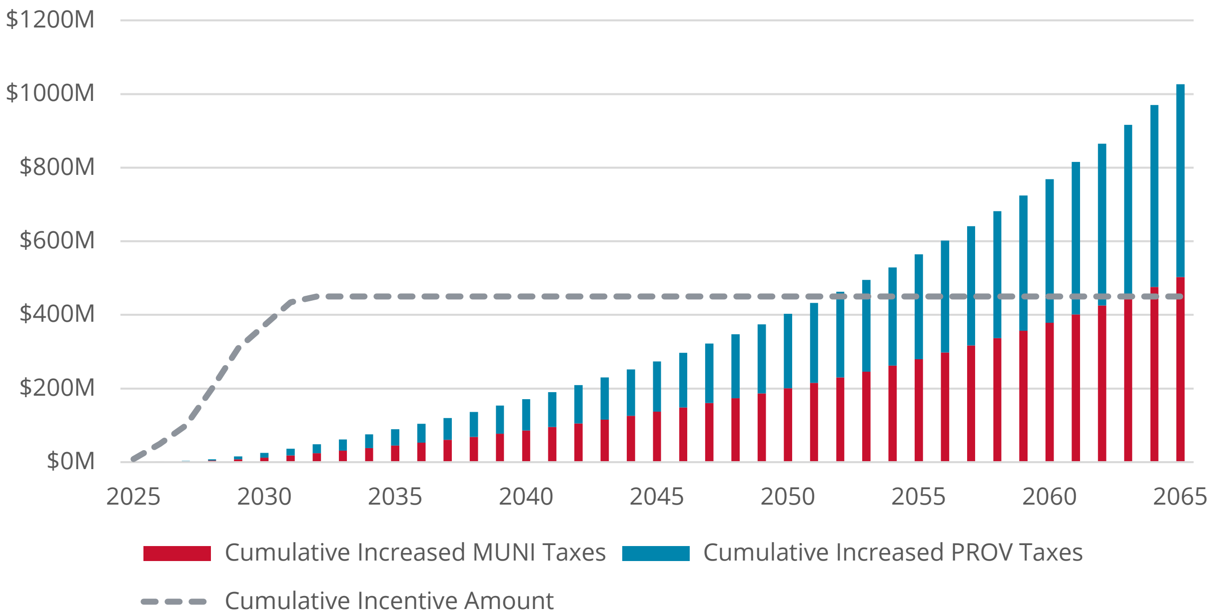




While these outcomes support the underlying premise that conversions contribute positively to the City's tax base, the Program has not been in place long enough, nor has sufficient office inventory been removed, to support the establishment of a reliable minimum rate of return threshold at the project approval stage. Most conversion projects have completed within the past year, and the Program has not yet reached the halfway point toward its ten-year goal of removing six million square feet of office space. As a result, available data reflects early performance during a period when broader market conditions remain volatile and downtown vacancy remains elevated.

Extrapolating from these recently complete projects across the expected results from the removal of six million square feet of office, the Program as a whole is expected to see property tax increases on the conversion properties eclipse the total incentive amounts within roughly 30-35 years. Individual projects will lag or exceed this return schedule based on the quality of the completed conversion and the value of the struggling office beforehand, but this projection should be a reasonable estimate as to the return on

investment from the incentive funds distributed. It should be noted that not all incentive funds will be municipally funded, as programs like the Housing Accelerator Fund (HAF) from the Canada Mortgage and Housing Corporation (CMHC) have already contributed $52.5 million. Leveraging municipal investment to attract funding from other orders of government will continue to be an important element of the Program's approach.



Limitations of Project Level Rate of Return Calculations

A key limitation in applying a minimum rate of return requirement is that project level payback cannot be calculated with sufficient accuracy at the time of approval. Incremental property tax outcomes are influenced by factors beyond the control of both the City and project proponents, including market wide sale prices, distressed transactions, assessment timing, and broader vacancy and absorption trends across the downtown office market. These factors can materially affect assessed values and tax outcomes without any direct relationship to the quality, execution, or long-term success of an individual conversion project. Establishing a minimum return threshold based on projected values would therefore rely on assumptions that are inherently uncertain and subject to change.

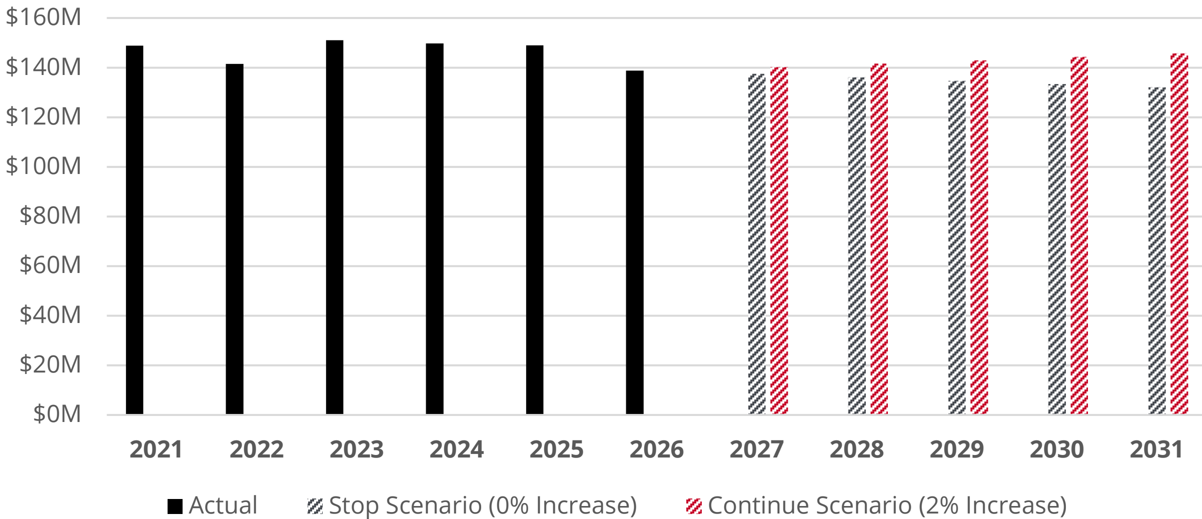
It is also important to be clear about the baseline used to evaluate return. While non-residential properties are taxed at a higher rate than residential uses, that distinction is less relevant in the current market context. The appropriate comparison is not between fully performing office buildings and converted uses, but between buildings that remain vacant or significantly underutilized as office space and those converted to active uses that increase assessed value, improve occupancy, and support long term market confidence. This comparison should be viewed against the realistic alternative of continued vacancy or underperformance; conversions represent a meaningful improvement over the status quo and contribute positively to municipal revenues over time.

The time horizon over which returns are realized further complicates the application of a minimum rate of return threshold. Financial payback from conversions accrues over long periods and is closely tied to broader market stabilization rather than short-term project performance. Early projects play a foundational role by removing supply, improving occupancy in remaining buildings, and building momentum toward a tipping point where downtown vacancy begins to stabilize. Evaluating return over a short or fixed timeframe would understate the long-term value of these interventions and could skew decision making toward projects that perform better in the near term but deliver limited impact on overall market recovery.

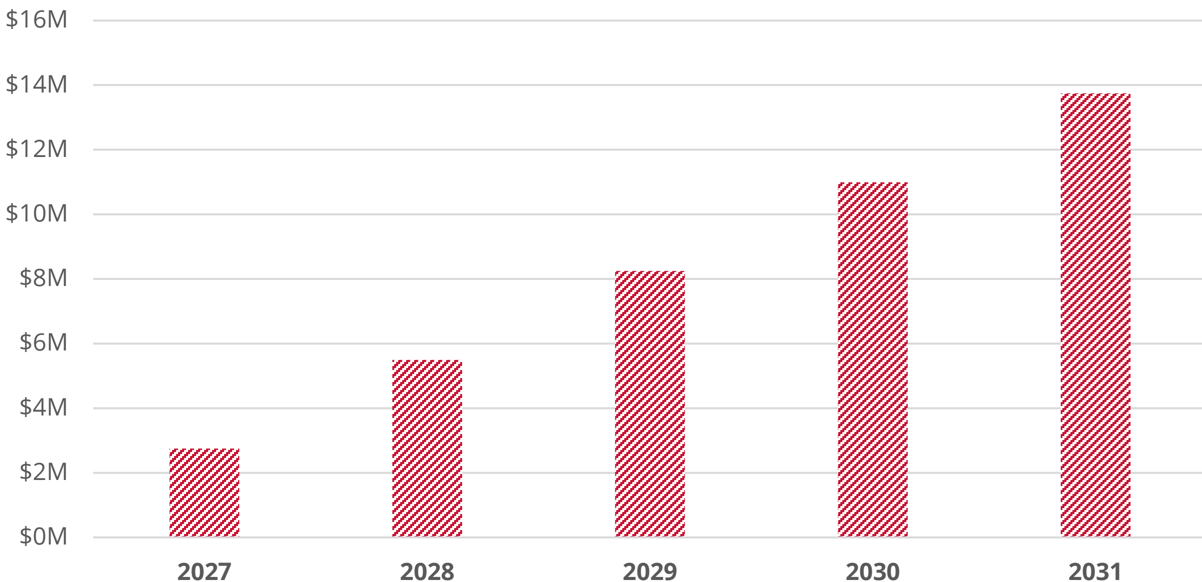
Focusing on project level rate of return risks prioritizing smaller projects that demonstrate stronger payback ratios on a per dollar basis, even though their contribution to addressing surplus office inventory is modest. A smaller building may show a higher projected return relative to the grant provided, but it removes relatively little office space and has limited influence on market wide vacancy, investor confidence, or positive tax base impacts. Larger projects, while sometimes less economical on a per square foot or per dollar basis, remove substantially more inventory and can deliver outsized cumulative impact by accelerating progress toward market equilibrium. The objective of the Program is not to optimize return on a single building, but to shift the downtown market as a whole and restore long-term fiscal stability.

One of the main outcomes of investing in the removal of surplus office supply downtown is the strengthening of the downtown office market as a whole. As excess inventory is removed and vacancy declines, the remaining office stock is better positioned to stabilize and recover in value. This recovery supports the re-balancing of downtown core property tax revenues within Non-Residential assessment base, restoring a more efficient and resilient source of municipal revenue over time. Continued City investment helps create the market conditions necessary to support renewed private investment and confidence in the downtown office market. Even relatively small differences in valuation outcomes can have a material effect on the distribution of property tax revenues over time.

The chart below illustrates downtown office property tax revenue over time, comparing recent actuals with projected outcomes under a “continue” scenario that assumes only a 2 per cent increase in downtown office valuation and a “stop” scenario that assumes 0 per cent increase in downtown office valuation over the remaining five years. While office-to-residential conversions reduce the amount of office space subject to non-residential taxation, the “continue” scenario demonstrates that improved market performance and higher values across the remaining office inventory are expected to be sufficient to offset this loss, resulting in relatively stable to increasing downtown office property tax revenue over time. By contrast, the “stop” scenario shows that halting conversions does not preserve the tax base. Instead, downtown office property tax revenue continues to decline as market weakness persists, increasing the amount of lost revenue that would need to be redistributed across the broader non-residential tax base outside the downtown.



This differential is further illustrated below through the cumulative difference in downtown office property tax revenue between the two scenarios. Under the “stop” scenario, this revenue is not eliminated but redistributed across non downtown non-residential properties citywide. At a time when Calgarians and Council are facing significant cost pressures from inflation, rising provincial property taxes, and major infrastructure investment requirements, allowing downtown office values to continue declining does little to relieve these pressures and risks greater long term fiscal harm than the near-term savings achieved by reducing or withdrawing this program.



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This separation of assessment and property tax distribution compounds year over year and would extend far into the future depending on the level of investment allocated toward downtown revitalization. Beyond these fiscal impacts, at the Program level, the Downtown Office Conversion Program is already demonstrating strong value for money through additional measurable indicators. To date, the Program has leveraged approximately four dollars of private investment for every dollar of public funding and generated an estimated seven dollars in overall economic activity for every dollar invested. These outcomes demonstrate that the City's investment is catalyzing significant private sector participation and broader economic benefit, even as financial payback through property taxes accrues over a longer horizon.

Recommendation: Omit minimum rate of return as part of project approval and focus on square footage removal and targeted outcomes

It is recommended that the Program not establish a minimum project level rate of return or payback threshold as a condition of approval under the Downtown Office Conversion Program. A project specific return threshold cannot be calculated with sufficient reliability at the approval stage, would introduce uncertainty and delay into decision making, and risks excluding projects that are critical to achieving market stabilization at scale.

Instead, Administration recommends continuing to monitor and report on observed property tax uplift and assessed value changes for completed projects over time, recognizing that meaningful impacts will become clearer as more conversions are delivered and market momentum builds. Consistent with the Program's original intent, the square footage of office space removed should remain the primary measurable indicator of progress, as it directly addresses the structural oversupply that contributes to downtown vacancy and long-term tax base erosion.

Recognizing the central role that office inventory removal plays in stabilizing the downtown market and tax base, it is recommended that a new "Impact" category within the Comprehensive Application Review be created to better reflect Council priorities and broader City objectives. Under this approach, the Impact category would be assessed across three components: (1) the conversion of office space to non-residential uses, recognizing that these projects typically deliver stronger fiscal payback while still contributing to downtown vibrancy; (2) the inclusion of affordability or energy-efficiency outcomes, where these are voluntarily pursued and validated through recognized third-party programs; and (3) the total amount of office square footage removed. Among the three components, square footage removal would carry the greatest weight, reflecting its direct alignment with the Program's primary performance metric.

To preserve market flexibility and project diversity, affordability and energy efficiency outcomes would not be mandated as conditions of approval. Instead, projects that voluntarily commit to recognized third-party programs, such as those administered by CMHC, Build Canada Homes or the Canada Infrastructure Bank, would be eligible for additional consideration within the Impact category. The use of third-party definitions and verification ensures credibility while avoiding the need for ongoing City monitoring and allows proponents to determine which outcomes are appropriate for their project given market conditions.

As inventory removal advances and downtown vacancy approaches a more stable range, reliance on incentive-based intervention is expected to diminish, allowing market forces to increasingly support sustained recovery. This aligns with the Program's original ten-year timeframe, which allows for continued removal of surplus office inventory and the sustained introduction of residential and other active uses. Maintaining momentum in inventory removal remains important to accelerate progress toward market equilibrium and support a transition to the Program's eventual exit strategy and long-term maintenance phase.

4. Appropriate incentive rates

The Downtown Office Conversion Program is administered through a competitive intake and evaluation process. Applications are not reviewed on a first-come, first-served basis. Instead, all eligible submissions received within an intake period are assessed relative to one another using a standardized scoring framework. This ensures that City funding is allocated to projects that best advance program objectives and demonstrate readiness, feasibility, and public benefit.

Each application first undergoes a Preliminary Review, which functions as a gating step. Applicants must receive a pass on all preliminary criteria, including submission completeness, legal due diligence, and confirmation of a viable financing plan and financial capacity. Applications that do not pass all preliminary criteria do not proceed further, ensuring that only viable and compliant projects advance to detailed evaluation. Projects that pass the preliminary stage move on to the Comprehensive Review, which includes detailed scoring based on defined evaluation categories and point allocations. Scoring considers factors such as the applicant's experience, project timelines and construction feasibility, financing alignment, ability to address technical constraints, and the quality of proposed project elements. These elements include active ground floor uses, access to natural light, provision of amenities, façade and public realm improvements, and the treatment of buildings listed on the Inventory of Historic Resources, where applicable.

To be considered for approval, applications must achieve both the minimum required score within each category and a strong overall score relative to competing projects. Funding recommendations are therefore based not only on meeting minimum thresholds, but on how well each project performs compared to others in the intake. While the Program's evaluation framework is already competitive, the primary question raised through Council direction relates to financial competitiveness and whether a more flexible approach to incentive rates could improve outcomes without undermining program effectiveness.

Market Conditions and Evaluation of the Current Incentive

Office to residential and mixed-use conversions carry significantly higher risk than new development. Existing floorplates were designed for office use, limiting design flexibility and often resulting in reduced efficiencies and higher proportions of non-revenue generating space. Combined with unknown building conditions, servicing constraints, and increased construction complexity, these factors diminish revenue potential and elevate execution risk [22]. Developers generally prefer new build projects with predictable returns, while lenders apply more conservative underwriting to conversions. This dynamic underscores why direct grant incentives remain critical to bridging the feasibility gap for projects that would otherwise not proceed, despite delivering long term benefits to the City.

Against this backdrop, the residential incentive rate of up to $75 per square foot is not intended to maximize developer returns or provide a guaranteed outcome. Rather, it is calibrated to address a structural feasibility gap by offsetting elevated costs and risks that are unique to downtown office conversions, enabling projects to proceed where market conditions alone would otherwise deter investment.

Although several conversions have been completed, providing proof of concept, the market now faces headwinds that were not present when the Program launched. Construction costs have increased materially due to labour shortages, wage escalation, and material inflation, with mechanical and electrical systems experiencing particularly sharp increases. Financing conditions have also shifted. While lender participation has broadened, underwriting remains conservative, equity requirements have increased, and recent changes to CMHC programs have introduced additional uncertainty. Rental market conditions further complicate feasibility. Downtown rents increased between 2021 and 2024, but more recent data indicates that growth has slowed as supply has expanded [23]. With record housing starts underway, further moderation in rental

growth is expected. Taken together, rising construction costs, financing uncertainty, and moderating revenues reinforce the importance of program stability and predictability.

At the same time, slowing rent growth and cooling developer returns do not indicate that Calgary's rental market has reached a point of affordability balance. CMHC has recently released an affordability assessment index that shows Calgary rental housing is not yet considered affordability neutral [24]. One of the primary drivers of this outcome continues to be supply. While record housing starts are helping to moderate near term rent growth, underlying demand remains strong, and future population growth is expected to place renewed pressure on the housing system.

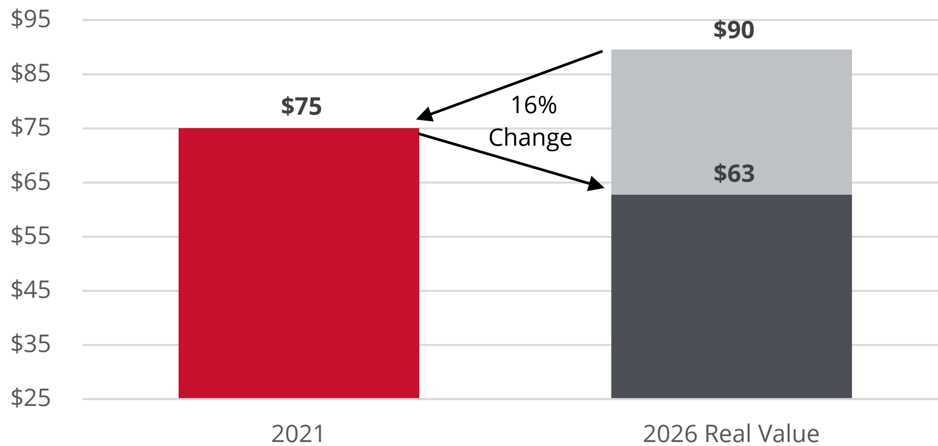
This timing is particularly relevant given federal projections showing population growth slowing through 2026–2027, before resuming thereafter [25]. As immigration remains the primary driver of household formation in Canada, a return to population growth could result in a rapid increase in housing demand over a short period. Given that it can take several years for housing to move from concept to completion, initiating conversion projects in 2026 and 2027 will help ensure that additional supply is delivered when demand accelerates. Continuing to add housing supply now therefore plays an important role in reducing the risk of a future housing and affordability challenge, particularly as Calgary works toward a population of two million.

Recent program projects were used as reference points to evaluate current feasibility, drawing on actual construction, financing, and operating conditions rather than theoretical assumptions. These assessments consistently show that the total cost to acquire and convert office buildings exceeds the stabilized value of the asset in its new use. This gap is best understood through the concept of development margin. In practical terms, many conversion projects are worth less on completion than they cost to deliver, even with the grant incentive. This does not mean projects cannot succeed, but it does mean margins are thin and outcomes depend on long term investment horizons rather than short term returns.

The incentive plays a critical role in narrowing this gap and enabling projects to meet minimum investment thresholds required by lenders and equity partners. Conversion projects are inherently risky, and most institutional capital will not consider them even when the numbers appear to work. The grant is therefore an incentive to address the downtown vacancy issue by asking developers to take on outsized risk in support of a broader citywide objective, while also contributing to longer term housing supply and affordability outcomes.

Real Value of the Incentive and Inflation

Although the nominal residential incentive rate remains $75 per square foot, inflation has materially reduced its real value. In 2021 dollars, the current grant is equivalent to approximately $63 per square foot, representing a decline of roughly sixteen per cent in purchasing power [26]. CPI is a conservative benchmark for assessing this change, as it is the standard measure used in public policy to compare purchasing power over time. Conversely, construction costs have increased substantially faster than CPI, meaning project delivery costs have outpaced the real value of the incentive [27]. Financing costs have also risen sharply, reflecting higher interest rates that directly affect feasibility. At the same time, while rents remain elevated, multiple indicators show that residential rent growth has begun to cool as supply has increased, limiting revenue growth. Taken together, holding the incentive constant has already reduced its effective contribution, and further reductions would compound cost pressures at a time when revenues are flattening.



When the Program launched, the grant represented approximately one quarter of total project costs. Based on recent projects, this contribution has declined to closer to one fifth of total costs. This shift demonstrates that the current rate is not excessive and that reducing it further would materially undermine feasibility. This same inflationary erosion applies to hotel incentives, where the original $60 per square foot rate no longer reflects equivalent real purchasing power under current cost conditions.

Expanded Uses and Financial Competitiveness

The Program currently supports conversion to residential, hotel, and a range of other adaptive uses. Residential conversions are expected to remain the dominant use due to market demand and their impact on office vacancy reduction. Hotel conversions, while more expensive to construct, offer stronger revenue potential and generate higher assessed values and property tax payback relative to residential conversions. As a result, hotels represent a financially efficient use that contributes meaningfully to both downtown vibrancy and fiscal recovery. However, the original hotel incentive rate of sixty dollars per square foot was established in 2021 and has since been materially eroded by inflation. Using CPI as a conservative benchmark, sixty dollars in 2021 would require approximately $72 today to maintain equivalent purchasing power [27]. Aligning the hotel incentive rate with the residential rate at $75 per square foot therefore restores real value rather than increasing program generosity, while continuing to incentivize a use that delivers stronger and more immediate tax returns.

There is also growing interest in a broader range of conversion outcomes, including student housing, education related facilities, seniors living, and other non-traditional uses. These projects are inherently bespoke, vary significantly in cost structure and revenue potential, and often require different incentive levels to proceed. Applying a single fixed rate across all such uses risks either over subsidizing some projects or under supporting others. Replacing specific non-residential categories with a single “other” category evaluated through a competitive bid process allows the City to respond to this variation while maintaining financial discipline. Under this approach, all non-residential and non-hotel projects would propose a project specific incentive rate up to a defined maximum. Applications would be evaluated based on overall project impact, feasibility, and alignment with program objectives, with successful projects awarded the requested rate.

This approach protects against over subsidization while preserving flexibility to support high value projects that do not fit neatly within existing categories. It also provides a practical mechanism through which the overall blended incentive rate across the Program could be reduced over time. Including uses where lower

incentive rates may be required, or where funding from additional sources can be stacked, allows the City to stretch available funding further while still advancing core program objectives. In addition, some of these uses are expected to be assessed as non-residential following conversion, which would result in a higher property tax payback to the City.

Risks of a Competitive Bid Process

While a competitive bid process may appear to be an efficient way to allocate funding, it introduces significant risks that could jeopardize both project viability and quality. Developers may commit to lower incentive rates in order to secure approval, but when unforeseen challenges arise, such as construction cost escalation or design complexity, projects may return to the City seeking additional funding or fail to complete altogether.

Even where projects proceed at lower incentive levels, quality risks emerge. Reductions in funding must be absorbed somewhere, often through compromises in design, amenities, or long-term durability. While affordable housing plays an important role in downtown revitalization, the city requires a diverse mix of housing types, including attainable and workforce-oriented options, to create a vibrant and safe urban core. Over compressing incentives risks narrowing the product mix and limiting the Program's ability to attract a broad range of residents downtown.

A bid-based system would also slow the application process considerably. Each project would propose a different incentive rate, making comparisons more complex and introducing subjective judgments about whether a lower bid should outweigh a project offering more than overall impact. This approach would require detailed review of individual developer pro formas, a resource intensive process for which current administrative capacity does not exist. Pro formas vary widely by project and developer, making this an impractical and inefficient model if applied broadly across the Program.

Calgary's incentive program is widely recognized by municipalities and industry experts for its simple yet effective approach to enabling office conversions. The Program combines clear eligibility requirements with a transparent and rigorous evaluation framework, ensuring that funding is directed to the most competitive and impactful projects. This structured, merit-based approach has allowed Calgary to achieve results at a scale that many other cities have struggled to replicate. Importantly, the incentive itself has been calibrated at a level that is sufficient to support quality delivery. In some jurisdictions, incentive levels that were insufficient to support quality delivery resulted in low quality housing outcomes that did little to address safety, livability, or long-term neighbourhood stability. Forcing projects to cut costs to offset lower incentives risks replicating these outcomes. Calgary's model avoids this by pairing an appropriately calibrated incentive with a competitive evaluation process that emphasizes both project quality and long-term impact.

While a competitive bid process is not appropriate as a default model for the Program, Administration identified an opportunity to introduce limited rate flexibility for new or emerging uses through a separate "Other" category, as outlined in the recommendations below.

Recommendation: Maintain current residential rate, increase the hotel rate and create a new category for other uses that utilizes a competitive bid process.

Administration recommends maintaining the residential incentive rate at $75 per square foot and increasing the hotel incentive rate to $75 per square foot. This adjustment reflects inflation since program launch and recognizes the stronger assessed value and property tax payback associated with hotel conversions, while maintaining overall program discipline. Both rates are supported by observed project performance, current market conditions, and the reduced real value of the incentive over time.

Administration further recommends removing the remaining specific use categories and replacing them with a single "Other" category. Projects applying under this category would continue to be evaluated through the

Program's existing scored, merit-based framework, with proponents proposing a project-specific incentive rate up to a defined maximum of $75 per square foot. Unlike residential and hotel conversions, which have demonstrated consistent market uptake and benefit from fixed, predictable incentive rates, the "Other" category is intended to accommodate a broader range of bespoke or emerging uses with highly variable cost structures, revenue potential, and access to external funding.

For these new uses to be considered, a project specific rate proposal enables Administration to assess feasibility and value for money on a case-by-case basis, ensuring that incentives are calibrated to the actual gap being addressed rather than applied uniformly. Some projects may require lower incentive amounts to proceed, while others may leverage funding from other orders of government, institutional partners, or charitable sources, resulting in smaller feasibility gaps for the City to address. This targeted flexibility allows the Program to support new or non-traditional conversion outcomes without introducing competitive rate pressure for residential or hotel projects. It is also expected to reduce the overall blended incentive rate of the Program while preserving consistency and predictability for core uses.

Together, these refinements protect against over subsidization while recognizing the risk that reducing incentive levels or overcomplicating program terms could significantly slow conversion activity. Maintaining momentum remains critical to achieving the Program's objective of removing surplus office inventory and supporting long term downtown recovery.

Conclusion

Downtown Calgary continues to face a structural imbalance driven by prolonged office vacancy, shifting work patterns, and excess supply that will not resolve without deliberate intervention. While the City has made significant investments in arts, culture, public spaces, safety, and placemaking, the effectiveness of these efforts depends on achieving a critical mass of people living and using the downtown throughout the day and week. Office to residential conversions remain the cornerstone intervention for addressing this challenge. By permanently removing surplus office inventory and introducing a more diverse mix of uses, the Downtown Office Conversion Program is helping stabilize the tax base, support housing supply, improve vibrancy and safety, and create the conditions needed for long-term economic resilience.

The recommendations in this report are intended to preserve what is working, make targeted refinements where appropriate, and avoid changes that would undermine program momentum or dilute its core objective of square footage removal. Maintaining a clear, predictable, and performance-based incentive framework is critical to achieving the Program's ten-year goal and supporting a gradual transition toward a more balanced and self-sustaining downtown. As inventory removal advances and market conditions stabilize, the need for incentive-based intervention is expected to diminish. In the near term, however, continued focus and consistency remain essential to ensure that downtown revitalization efforts translate into lasting economic, fiscal, and community outcomes for Calgary as a whole.

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