



Calgary

Jyoti Gondek, Mayor

February 2, 2022

Hon. Travis Toews
President of the Treasury Board and Minister of Finance
Office of the Minister
Treasury Board and Finance
208 Legislature Building
10800 – 97 Avenue
Edmonton, AB T5K 2B6

Dear Minister Toews,

RE: The City of Calgary 2022-23 Budget Submission

I am writing you today in advance of the Government of Alberta's 2022-23 budget. The City of Calgary (The City) continues to experience hardship due to economic uncertainty and the ongoing COVID-19 crisis. These issues have shaped the current well-being of our city and the citizens who choose to live here. Specifically, The City's downtown vacancy remains a major issue with consequences for municipal finances that impact the daily lives of citizens. Furthermore, while demand for City services has never been greater, the revenue streams that are central to delivering those services are challenged.

In the coming weeks, your government will be making difficult budget decisions. In response, The City is sharing our top priorities for you to consider in the development of the budget. These include requests for funding major projects and initiatives to help Calgary thrive, as well as acknowledgement of how we can collectively work together to achieve prosperity, diversity, and innovation. As I begin my tenure as Mayor, I am looking forward to addressing these issues among others identified in this letter in partnership with the Government of Alberta. While the challenges are immense, I see great opportunity for our city and province to collaborate at this important time in our history.

Addressing Municipal Finances & Continuation of City Charter

In 2015, The City began to experience the erosion of value in Calgary's downtown core, which necessitated the shift in property tax from commercial businesses to property owners outside of the downtown core. The COVID-19 pandemic only added to the issue once many workers began working from home – a change that has lasted more than 20 months. The City has actively explored and implemented options to alleviate the problem such as significant reductions to our operating budget and reallocating the tax burden between businesses and property owners. These actions, however, do

not address the source of the issue.

While the next section of this letter will cover investment needed to recover Calgary's downtown core, there are legislative reforms and additional funding asks that would help to address the issue of municipal finances, specifically the lack of revenue. First, The City is seeking additional funding from the Government of Alberta from property tax revenue until downtown revitalization work is more successful in rebalancing municipal finances. We see this as a short-term change to the percentage of property tax revenue sent to the Government of Alberta. Beyond this short-term response, The City is asking the Government of Alberta to commit to a conversation around broad municipal financial reform. As the City's Financial Task Force (a panel that includes stakeholders and experts from across the community) found in its final report, there is only so much The City can do to address both cyclical and structural problems like the downtown tax shift within existing authorities. Real fiscal stability and resiliency requires reform of provincial legislation governing assessment and taxation in The City. Meaningful reform would include consideration of options such as flexibility in the way cities like Calgary can use existing sources of revenue, changes to the annual budgeting process, and new tools for revenue generation. We ask that these conversations commence as early as possible and in the context of the City Charter, which uses a process that can simplify complex changes by considering the distinctive challenges, opportunities, and capacity of Alberta's biggest cities.

Downtown Strategy

Calgary's downtown core has long been an economic engine for both our province and country. The economic downturn, changing energy demands and impact of COVID-19 have had a lasting negative impact on the vibrancy of the city's downtown core. The longevity and severity of these issues indicate the need for change.

It is of vital importance that The City and provincial government work together to invest in a new strategy that will restore the downtown as an economic, residential, social, and cultural center. I encourage the Government of Alberta to formally partner with The City to attract new businesses like green and alternative energy, film and entertainment, health care, and technology. By attracting innovative and emerging sectors to our city, we can further support new investment and jobs while making our jurisdiction competitive in the global market.

In 2021, The City initiated the Downtown Calgary Development Incentive Program to support the conversion of downtown office towers to residential towers, other non-office uses, as well as potential demolition of vacant buildings. This program is an estimated \$450 million investment within a 10-year time frame and The City has received applications over and above the \$45 million in initial funding allocated for the first office to residential conversion phase. The intent is to launch a phase 2 of the program in Q1 2022 that would encourage other adaptive non-office uses, as well as continued office to residential conversions. City Council has committed over \$255 million to support investment in the downtown - \$90 million is specifically tied to this conversion program. The City requires Government of Alberta financial support as soon as possible to incentivize businesses and property owners to further populate downtown office towers. Government of Alberta investment is integral to the success of this program and would signal support for the recovery of Calgary's downtown core.

Provincial Infrastructure Investments

The City is looking for Government of Alberta support for the following key infrastructure projects that would help to invest in the future of Calgary.

Investment in flood mitigation continues to be a priority for Calgarians and City Council. The recent announcement of the Government of Alberta's move to construction phase of the Springbank Reservoir flood mitigation project was welcome news for The City. The Springbank Reservoir project in tandem with the new gates installed at the Glenmore Dam in 2020 will ensure another event like 2013 will not cause widespread damage to Calgary and its communities along the Elbow River and limit future infrastructure damage.

To complete our overall flood mitigation and resilience planning, The City is seeking commitment from the Government of Alberta in Budget 2022-23 to continue its work on regional water management projects and support for local flood mitigation efforts. Most importantly, we look forward to the completion of Phase 2 of the Bow River Reservoir Options study by early 2023 and would like to see the Government of Alberta commit to the phase 3 study in Budget 2023-24. A new reservoir on the Bow River will significantly reduce the flood risk of all communities downstream of it, including key economic areas like Calgary's downtown, and could mitigate the risk of seasonal drought caused by shifts in precipitation caused by climate change. Ensuring that a Phase 3 study is undertaken is a key milestone to ensure a new reservoir becomes a reality. As well, The City has applied for federal DMAF funding for specific flood mitigation projects in Calgary including the Sunnyside Flood Barrier and Stormwater Infrastructure Climate Resilience Improvements. The City would appreciate Government of Alberta support as these projects align with provincial strategic outcomes to reduce flood risk in Alberta.

Another important area of investment is Calgary's arts sector, which experienced significant negative impacts from COVID-19 and lockdowns. Investment in Calgary's arts sector would aid in overall recovery from the impact of COVID-19 and would help to revitalize the downtown core, further bringing back arts and culture to our city. The City requests that the Government of Alberta help us to protect our arts sector for the economic and health benefits that it provides by assembling a recovery fund of at least \$15 million to support artists and artist organizations. This funding would be used for programming and other initiatives to support recovery that is vital to The City's local economy and overall wellbeing.

Finally, the City of Calgary is concerned with the implications of Bill 73, The Infrastructure Accountability Act, and the potential reduction in municipal accountability by allowing the Government of Alberta to restrict local decision making on capital spending. The City's main concern is that capital transfers will be subject to restrictions of Bill 73. The success of critical infrastructure projects requires stability and predictability of available funding, not only for The City, but also for the local construction sector as well as businesses and individuals considering investment in Calgary. In the interest of this vital stability, The City therefore recommends an amendment to Bill 73 that explicitly states this legislation does not apply to funding and/or grants to municipalities, including but not limited to the Local Government Fiscal Framework.

Working together on Affordable Housing

We were pleased to see the Government of Alberta's recognition of the value and importance of an efficient and stable affordable housing system with the recent release of *Stronger Foundations: Alberta's 10-year strategy to improve and expand affordable housing*. As your government seeks to fund the meaningful implementation of *Stronger Foundations* in 2022 and beyond, we look forward to meaningful consultation and formally structured engagement with municipalities to jointly identify roles, responsibilities, and expectations regarding municipal roles in the provincial strategy.

Immediate expansion of the Rent Assistance programs, administered locally by The City of Calgary's wholly owned operator, Calgary Housing Company, could make appropriate use of existing housing supply and support households who are currently struggling to pay rent. In Calgary, 78% of households have their housing needs met by the market, and 3% are in nonmarket housing. The other 19% are overspending on housing and the largest group within that 19% are those with the most affordability problems. Specifically, unsubsidized renters with household incomes less than \$45,000; 70% of unsubsidized renters in this income range spend more than 40% of their income on housing.

Turning to provincially owned social housing assets, capital funding to support critical lifecycle projects as well as unit turnover is of immediate concern. Deferred maintenance and underinvestment have a direct impact on vulnerable people leaving units in unsatisfactory condition. Capital investment by the province in the nearly 900 provincially owned homes located on City of Calgary leased land, and operated by Calgary Housing Company, must be a priority. Calgary's private sector rental market cannot meet the needs of the lowest income rentals and it is essential that this housing supply be maintained and protected.

Through the National Housing Strategy and additional programs to address housing challenges, we have seen opportunities for federal investment into affordable housing in Alberta though, increasingly, these programs have required provincial and municipal participation including operating and capital leverage. Budget 2022-23 should include sufficient investment in flexible, responsive provincial capital participation in non-profit-led affordable housing projects to ensure federal funding, including through the recent Rapid Housing Initiative, is not left on the table.

We know that our strong community of non-profit affordable housing providers need stable, predictable, and ongoing investment in the development of new homes to meet escalating demand. More than 100,000 Calgarians are expected to be in housing need in our community by 2025. Jointly working on opportunities to improve the affordable housing system is an area of shared interest. For example, we remain keen to collaborate on amended regulation to enable property tax relief for affordable housing providers currently under the Community Organization Property Tax Exemptions (COPTER) process.

Building Safer Communities

The COVID-19 pandemic has resulted in a tremendous increase in the need for social services and supports in our community and exacerbated existing social and inequity issues. It is integral that these services continue to receive steady and reliable funding to ensure a proactive and preventative

response. More specifically, The City is seeking permanent funding for the Community Safety Investment Framework to strengthen crisis response support and transform Calgary's crisis response system. Funding directed to this Framework has the potential to transform how Calgarians are supported during a crisis, reduce call demand, activate those best equipped to respond, allow crisis response services to concentrate on service delivery and find opportunities to respond through collaborative initiatives. The City would also like to see a broad range of mental health and addictions supports including harm reduction and recovery services identified as a Government of Alberta budget priority, given the negative impacts of COVID-19 on community mental health.

The City's police service has experienced funding cuts that began in 2019 and have continued through 2021. The Government of Alberta has increased the share of revenue it takes from the Calgary Police Service, which is not acceptable. This has resulted in cuts of up to \$13 million that have impacted our ability to deliver important police and public safety services to Calgarians. Our ask is for the Government of Alberta to reinstate police service funding to its original levels.

Finally, the year 2021 has brought the need for Truth and Reconciliation into sharp focus. The City encourages continued action from the provincial government on truth and reconciliation and would like to see formal support for the White Goose Flying local calls to action and broader Truth and Reconciliation Commission calls to action to advance reconciliation and equity with First Nations, Métis, and Inuit peoples. Specifically, The City would be interested in understanding how the Government of Alberta can play a role in the realization of an Indigenous Gathering Place in Calgary.

Support for Long-Term Transit Strategy

The City of Calgary is committed to building a transit system for all Calgarians that is accessible, efficient, and part of a sustainable future. To secure a reliable future transit system, it is important for all levels of government to support and invest in Calgary's long-term transit strategy, especially as we recover from the COVID-19 pandemic impacts. It is expected that by the end of 2022, only 75% of normal transit ridership will return resulting in a \$30M shortfall for that year. If The City were to reduce service to save these costs, a reduction of at least 10%-12% would be required, over and above the existing pandemic-related 15% reduction in service. This will impact at least 250-300 employees and would impact Calgarians who rely on public transit services as their primary mode of transportation. Federal relief funding as part of the 2020 Safe Restart Agreements (SRA) was helpful to municipalities like Calgary at the height of the pandemic, however, more sustainable long-term support and investment is required to support municipal transit services.

The City of Calgary is seeking support from the Government of Alberta to engage in a conversation about transit operating shortfalls with the cities of Edmonton and Calgary, as well as the Government of Canada. The main goal of this engagement would be to work towards one-time emergency operating support for transit services.

In addition, The City requests a continued funding commitment from the Government of Alberta for the Low-Income Transit Pass, beyond the current end date in 2023. The Low-Income Transit Pass has been an incredibly successful program in Calgary with more than 72,000 low-income Calgarians accessing the program in 2019. While transit use decreased in 2020, over 25,000 low-income Calgarians continued to

access the program on a monthly basis. The Low-Income Transit Pass will continue to be an important part of Calgary's economic recovery by improving the purchasing power of low-income citizens. The City looks forward to beginning the next round of multi-year agreement negotiations to continue meeting the needs of low-income Calgarians.

Finally, The City of Calgary is pleased that funding for Stage 1 of the Green Line LRT project has now been approved. However, delivering the full 46-km vision for Green line to connect key destinations like the South Health Campus and integrate with future rail connection to the Calgary International Airport, will require additional investment from all levels of government. Green Line will play an important role in shaping Calgary's future by encouraging redevelopment and investment opportunities. Consideration of future investment in the Green Line by the Government of Alberta throughout the budget process is requested.

I ask that you carefully consider the items requested in this letter as they would significantly impact The City's ability to move on from the impacts of COVID-19 and the economic downturn. These items would help us to build a more resilient, innovative, and prosperous city which would in turn help to drive Alberta's overall recovery and diversification efforts. I look forward to working with you and your government more closely over the months to come.

Sincerely,



Mayor Jyoti Gondek

CC: The Honourable Jason Kenney, Premier
The Honourable Sonya Savage, Minister of Energy, Acting Minister of Justice and Solicitor General, Deputy House Leader
The Honourable Tyler Shandro, Minister of Labour and Immigration
The Honourable Doug Schweitzer, Minister of Jobs, Economy, and Innovation
The Honourable Rajan Sawney, Minister of Transportation
The Honourable Ric McIver, Minister of Municipal Affairs
The Honourable Demetrios Nicolaides, Minister of Advanced Education
The Honourable Prasad Panda, Minister of Infrastructure
The Honourable Josephine Pon, Minister of Seniors and Housing
The Honourable Jason Luan, Minister of Community and Social Service
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David Duckworth, City Manager