



Calgary

Jyoti Gondek, Mayor

November 14, 2022

Hon. Minister 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 2023-24 Budget Submission

As the Government of Alberta prepares its 2023 budget, this letter offers clear recommendations for your consideration, accompanied by rationale. The highlights are below, with a fulsome rationale that follows.

Recommendation 1: *That the Government of Alberta commit to a conversation around broad municipal financial reform including options such as short-term changes to the percentage of property tax contributions, changes to the annual budgeting process, and new tools for revenue generation.*

Recommendation 2: *That the Government of Alberta match The City's \$100 million investment in the Downtown Calgary Development Incentive Program with an investment of their own.*

Recommendation 3: *That the Government of Alberta enhance FCSS funding and index for inflation and population growth.*

Recommendation 4: *That the Government of Alberta commit to a Phase 3 Bow River Reservoir Options study to ensure community resilience.*

Recommendation 5: *That the Government of Alberta contribute \$126 million to a multisport fieldhouse to serve Calgary and area.*

Recommendation 6: *That the Government of Alberta enable more Calgarians to have affordable housing by partnering with The City and the Government of Canada on non-profit-led affordable housing projects to ensure no federal dollars are left on the table.*

Recommendation 7: *That the Government of Alberta commit funds dedicated to income supports in addition to continued support for the Low Income Transit Pass.*

Recommendation 8: That the Government of Alberta leverage current investment in critical transit projects with an investment of its own to support social and economic development.

Recommendation 9: That the Government of Alberta continue to partner with and support municipalities for climate-related disaster relief.

In addition to the challenges that Calgarians face, I believe we have opportunities to collaboratively advance our shared priorities. The current economic climate has resulted in a dramatic revenue shift for the Government of Alberta; however, municipalities continue to be restricted in their ability to rebalance finances, impacting services and the daily lives of citizens. Calgary is well-positioned to play a key role in attracting new talent to Alberta having recently been named one of the world's most livable cities. We have an opportunity to meaningful impact the targeted recruitment campaign, Alberta Is Calling. However, as population and demand for services grow, The City must have the revenue tools available to sustainably deliver the high quality-of-life citizens expect and deserve.

Municipal Finances & City Charter

Since the economic downturn in 2015, Calgary has navigated a significant set of challenges. This includes the erosion of the downtown core through substantial vacancies and assessment value forcing a shift in property taxes, to the challenges brought by COVID-19. The City has worked tirelessly to ensure Calgary remains a business-friendly environment and a great place to live, work, grow and raise a family.

As part of the response to the property tax shift from the downtown core, The City has actively explored and implemented options to alleviate the problem such as significant reductions to our operating budget and reallocating the tax distribution between businesses and property owners. These actions were necessary but do not address the source of the issue. While the downtown core requires targeted investment, there are legislative reforms and additional funding opportunities that would help to address the issue of municipal finances, specifically the lack of revenue.

The City is actively working to revitalize downtown as part of a broader effort to rebalance municipal finances. To accelerate this effort, The City seeks additional funding from the Government of Alberta through a short-term change to the percentage of property tax contributions until the revitalization work begins to yield significant results. Beyond this immediate action, The City asks the Government of Alberta to commit to a conversation around broad municipal financial reform including options such as flexibility in the way Calgary can use existing sources of revenue, changes to the annual budgeting process, and new tools for revenue generation. We look forward to beginning these conversations 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.

Recommendation 1: That the Government of Alberta commit to a conversation around broad municipal financial reform including options such as short-term changes to the percentage of property tax contributions, changes to the annual budgeting process, and new tools for revenue generation.

Downtown Strategy

The City's priority remains restoring Calgary's downtown as an economic, residential, social, and cultural centre. It is important for The City of Calgary and the Government of Alberta to work collaboratively to continue attracting new and diverse businesses to Calgary. Over the past year we have seen positive signs of recovery, with new businesses choosing to invest in Calgary however, Calgary's downtown is still experiencing many challenges.

The City of Calgary is seeking financial assistance from the Government of Alberta in support of Calgary's Greater Downtown Plan (The Plan) to reinvigorate downtown – the economic and cultural heart of Calgary and a hub for business, innovation, and creativity. In 2021, The City of Calgary launched the Greater Downtown Plan, a 10-year plan to reinvent Calgary's downtown as a bustling centre of commerce, a 24/7 destination and a place where people want to live, visit, and set up businesses while also offering a balanced mix of residential, office, retail, entertainment, tourism, and culture.

City Council has allocated \$262.5 million towards the total \$1 billion investment estimated as necessary to make measurable progress in turning around the fortunes of our downtown. This investment is focused on areas that lower office vacancy, improve downtown vibrancy, and support the development of thriving neighbourhoods that attract residents, visitors, and talent for downtown's businesses.

The Downtown Calgary Development Incentive Program provides financial support for the conversion of downtown office towers to residential towers, other non-office uses, as well as potential demolition of vacant office buildings. We are making progress toward our goal of removing six million square feet of vacant office space from the downtown over a 10-year period (2021-2031). A total estimated investment of \$450 million is required to achieve this goal. This program, of which \$100 million of our initial investment is earmarked for, has received significantly higher interest than anticipated.

To date, \$73 million of funding has been committed to these projects (Phase 1) which will remove roughly 665,000 square feet of vacant office space and replace it with approximately 700 new residential units. Phase 1 has been reopened to allocate the remaining \$27 million and we are seeing more interest than we have funding available. The City is unable to fully fund the Downtown Calgary Development Incentive Program on its own. The City requests financial support from the Government of Alberta to continue the Downtown Calgary Development Incentive Program and to continue to leverage private investment in Calgary's downtown.

Finally, a vibrant downtown needs lively public spaces. The City is seeking significant investment in capital amenities downtown to bring projects such as Arts Commons Phase 2, Olympic Plaza, and others, to fruition. All of Calgary, and by extension, all of Alberta, benefits from a strong downtown, and as such, we would be pleased to share with you the details around these programs and projects.

Recommendation 2: *That the Government of Alberta match The City's \$100 million investment in the Downtown Calgary Development Incentive Program with an investment of their own.*

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 essential that these services continue to receive steady and reliable funding to ensure a proactive and prevention focused response.

The City invests \$8 million annually in a Community Safety Investment Framework to strengthen crisis response support and transform Calgary's crisis response system. Funding from the Government of Alberta could intensify the impact and can transform how Calgarians are supported during a crisis. This includes reducing call demand, activating those best equipped to respond, allowing crisis response services to concentrate on service delivery and finding innovative opportunities to respond through collaborative initiatives.

The City applauds the Government of Alberta's recent \$124 million investment to support Albertans in their journey to recovery. The City values a broad range of mental health and addictions supports including harm reduction and recovery services, and knows that broad supports are especially necessary given the negative impacts of COVID-19 on community mental health. Additionally, The City collaborates with partners to ensure Calgarians experiencing homelessness receive supports and services that address health and safety impacts associated with extreme weather events throughout the year. The City seeded the Calgary Mental Health and Addiction Community Strategy and Action Plan 2021-2023 with one-time funds totaling \$25 million. A corresponding, continued investment from The Government of Alberta in alignment with the outcomes of this strategy would magnify and sustain positive mental health impacts and outcomes for Calgarians.

For nearly sixty years, the Government of Alberta has partnered with municipalities to provide Family and Community Support Services (FCSS) funding in communities across Alberta. This has provided long-term, sustainable funding to community organizations delivering programs and services aimed at helping Albertans adopt healthy lifestyles, improve their quality of life, and build capacity to prevent and deal with crisis situations. To ensure that FCSS continues to support our growing community, The City requests that Government of Alberta index FCSS funding for inflation and population growth.

Recommendation 3: *That the Government of Alberta enhance FCSS funding and index for inflation and population growth.*

Infrastructure Partnerships & Investments

The City looks to the Government of Alberta for support in the following key infrastructure projects that will contribute to social and environmental resilience.

Investment in flood mitigation remains a priority for Calgarians and City Council. The City is pleased to see the Springbank Reservoir construction underway and look forward to it coming online in 2024/2025. This project in tandem with the new gates installed at the Glenmore Dam in 2020 will ensure another event like the 2013 flood will not cause widespread damage to Calgary and its communities along the Elbow River, thus mitigating future damage to infrastructure.

As a final piece to the overall flood mitigation and resilience planning, The City is seeking commitment from the Government of Alberta in Budget 2022-2023 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 in 2023 and would like to see the Government of Alberta commit to the phase 3 study in Budget 2024. 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 climate change. Ensuring that a Phase 3 study is undertaken is a key milestone to ensure a new reservoir becomes a reality.

Recommendation 4: That the Government of Alberta commit to a Phase 3 Bow River Reservoir Options study to ensure community resilience.

The City continues to invest in climate resilience initiatives that align to provincial strategic outcomes of community flood resilience, source water protection, water security and watershed health. The province has been an important financial partner to The City of Calgary through grant programs such as the Alberta Community Resilience Program (ACRP). Topping up proven grant opportunities such as ACRP will support municipal-provincial climate resilient infrastructure investments and, if used in tandem with incentive programs, would serve as a catalyst in ensuring community resilience.

Calgary has a rich history as a sport city and as such, values a multisport fieldhouse for both community use and as a tourist sport destination for national and international events. The City looks to the Government of Alberta to leverage The City's investment with a \$126 million investment of their own to ensure Calgary can both meet the recreational needs of its citizens and continue to be internationally recognized as a sport destination.

Recommendation 5: That the Government of Alberta contribute \$126 million to a multisport fieldhouse to serve Calgary and area.

Affordable Housing

It has almost been a year since Stronger Foundations: Alberta's 10-year strategy to improve and expand affordable housing was released, with an ambitious goal to provide safe, stable, affordable housing for an additional 25,000 households. However, little progress has been made since then in achieving that goal. The Government of Alberta needs to rapidly increase and sustain capital funding to grow the supply of affordable housing as the need continues to increase each year.

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 2022-2023 should include sufficient investment in flexible, responsive provincial capital participation in non-profit-led affordable housing projects to ensure that federal funding, including through the Rapid Housing Initiative, is not left on the table.

In addition, The City is urgently seeking capital funding and a robust asset management program to address the condition of aging provincial funded social housing. While Alberta's affordable housing strategy proposed solutions with some potential to address this challenge, more is needed to be done to ensure that Calgarians continue to have access to safe and adequate housing.

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 demands including operational funding. More than 100,000 Calgarians are expected to be in housing need in our community by 2025. Collaboration 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.

Recommendation 6: *That the Government of Alberta enable more Calgarians to have affordable housing by partnering with The City and the Government of Canada on non-profit-led affordable housing projects to ensure no federal dollars are left on the table.*

Low Income Transit Pass

Many Canadians have felt the impact of inflation, particularly those with low income and as such The City recognizes the need for additional income supports as well The City's Low Income Transit Pass. The City requests a funding commitment from the Government of Alberta to address these needs in addition to continued support 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 and 2021 due to public health restrictions, over 25,000 low income Calgarians continued to access the program on a monthly basis. Recent data also points to increases in low income pass purchases. 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 discussions to continue meeting the needs of low income Calgarians.

Recommendation 7: *That the Government of Alberta commit funds dedicated to income supports in addition to continued support for the Low Income Transit Pass.*

Long-Term Transit Strategy

Stage 1 of the Green Line is currently underway. The City seeks to ensure that the vision for the full 46- kilometer connecting key destinations and integrating rail connections, such as the proposed Blue Line extension to Calgary International Airport becomes reality. Funding of the remaining \$7 billion to complete the Green Line in addition to the funds needed for the Blue Line extension will require investment from all orders of government and will serve as an economic and social catalyst through redevelopment and investment opportunities. The City looks forward to beginning these discussions and the impact this project will have on how citizens and visitors are able to move throughout the city.

Recommendation 8: *That the Government of Alberta leverage current investment in critical transit projects with an investment of its own to support social and economic development.*

Climate Resiliency

Four of the costliest natural disasters in Canada's history have occurred in Alberta, including the wildfires in Fort McMurray and Slave Lake in 2016 and 2011; the flooding of Southern Alberta, including Calgary, in 2013; and the hailstorms in Airdrie and Calgary in 2014. Left unchecked, the impacts of climate change will stretch private and municipal resources, exacerbate

inequality, disrupt businesses, pressure supply chains, displace population, and damage our natural ecosystems. The City applauds the provincial funding and support provided for climate-related disaster relief, including flood, drought, and extreme weather, but urges further action. Proactive and strategic climate adaptation is critical to reduce these impacts but cannot be taken alone. Investment from private businesses, industry, individuals, and all orders of government will be necessary to prepare Alberta communities to deal with the shocks and stressors of a rapidly changing climate.

The City is pleased to see the Government of Alberta's action towards low-carbon energy innovation to help decarbonize and diversify Alberta's energy supply and recognizes that this transition must happen at the provincial scale as these energy systems are managed by provincial stakeholders. The City encourages the Government of Alberta to continue investing in this transition as it will positively impact municipalities climate targets while decreasing the cost of living.

Recommendation 9: That the Government of Alberta continue to partner with and support municipalities for climate-related disaster relief.

As your government moves forward with budget deliberations at this critical juncture in Alberta's history, I ask that you carefully consider these priority items for The City of Calgary. Support from the Government of Alberta in these areas will leverage current investments and accelerate Calgary's recovery, ensuring it continues to serve Alberta as an economic engine, tourist destination and be recognized internationally as the great place to live, work, start a business, and raise a family.

Sincerely,



Jyoti Gondek
Mayor, City of Calgary

cc. The Honourable Danielle Smith, Premier
Calgary City Council
David Duckworth, City Manager