

WE ARE NAIOP

President's Message

Welcome to the first Government Affairs Committee quarterly newsletter. I am pleased to share highlights of our accomplishments and ongoing advocacy work this year to date. I invite you to send me your submissions and feedback to help us continue to improve our communications to you, our members and sponsors.

In this issue read about our committee's work on:

- Calgary's downtown land use bylaw, levies/alternate funding and financing, Growth Management Framework (GMF), industrial land strategy, and downtown parking policy
- Alberta's Municipal Government Act and city charters, and wetlands policy
- Canada's new development in proximity to railways operations guidelines, and income tax policy



Photo credit: Calgary Economic Development (used with permission)

Our Achievements

- NAIOP became the primary stakeholder in amending, and now implementing, the downtown land use bylaw because of the development expertise of our members.
- NAIOP, in partnership with the Building Owners and Managers Association (BOMA), is now recognized as a key stakeholder to review Calgary's Growth Management

Framework and the province's Municipal Government Act.

- Through our concerted lobbying efforts, NAIOP has secured a commitment from the city to formally review the downtown parking policy which limits by half the number of stalls that would otherwise be approved for development under office towers and requires developers to pay to the city cash-in-lieu for the other half of the total stalls it is not permitted to build.

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- NAIOP and Urban Development Institute – Calgary successfully advocated before City Council to defer GMF approval until an alternate funding and financing model has been negotiated with industry stakeholders.
- NAIOP has combined efforts with other Canadian chapters of NAIOP and with RealPac to lobby for changes to Canadian income tax policy that would allow for a US-style 1031 tax exchange for “like-kind” real property.

Register now on naiopcalgary.com/events and save the date for these upcoming chapter events:

Wednesday, September 23
Fall Market Update

Friday, October 30
Government Affairs, Jeff Fielding

Complete our quick online poll question to enter to win a free chapter event ticket to a chapter event.

Go to surveymonkey.com/r/5DX99FK and tell us your favourite newsletter topic—you can even suggest an idea for the next.

On behalf of our Board of Directors, thank you for your support and we would love to hear what you think of this new communication and format!



Chris Ollenberger
President,
NAIOP Calgary chapter
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Downtown Land Use Bylaw

NAIOP became the primary stakeholder in amending the downtown land use bylaw with city administration because of our members’ development expertise.

This portion of the bylaw had not undergone substantive amendments since 1980. These negotiations involved countless meetings and many bylaw draft revisions for more than two years. NAIOP successfully negotiated a complex new revision to the Downtown Land Use Bylaw, including a complete re-write of potential Floor Area Ratio (FAR) bonus items to achieve much greater certainty, efficiency, and cost-effectiveness into the development approval process. For the first time, this provides a potential opportunity to develop downtown sites to

20 FAR. A major part of this document effectively exchanges approval of additional density for public realm improvements.

Calgary City Council recently approved these comprehensive amendments to its land use bylaw that effectively replaced the previous, complex set of uses and rules regulating downtown development.

NAIOP served the downtown development community well throughout this process, and city administration appreciated the time and effort that our volunteers put into the bylaw process to help make it effective for everyone. We continue to be involved in the implementation of this new bylaw, and will be working with the city to monitor its use and implementation for future review.

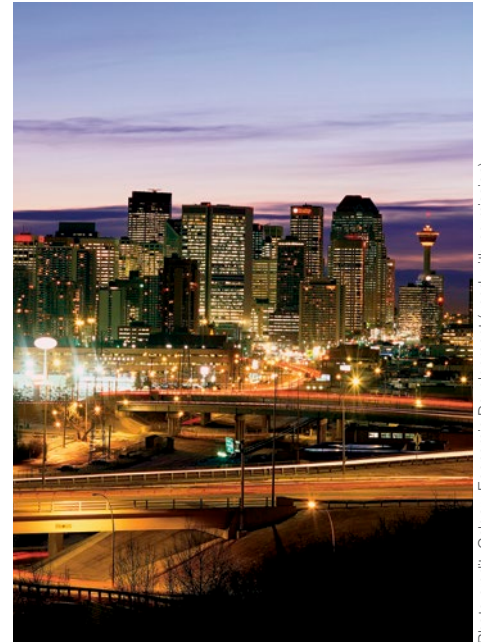


Photo credit: Calgary Economic Development (used with permission)

Growth Management Framework

NAIOP continues to advocate as a stakeholder in Calgary’s Growth Management Framework (GMF) initiative intended to improve infrastructure funding necessary to accommodate planned growth. This growth includes both residential and commercial, and greenfield development and redevelopment.

This initiative has significant implications for our developer members in terms of land

supply and development costs. NAIOP continues to actively advocate on behalf of our members before city administration and Council. We have also successfully and significantly raised the profile of two longstanding industry concerns: the supply of serviced industrial land, and the City’s continued role as the major owner and developer of industrial lands in Calgary.

The GMF will change the process by which City Council determines capital budgets and capital plans for infrastructure. The GMF is designed to implement policies and processes to better guide Council’s budget decisions on infrastructure to service residential and commercial (mostly industrial) growth, and to better align such decisions with the City’s primary planning policy document, the Municipal Development Plan.

Levies/Alternate Funding and Financing

NAIOP is working with UDI which represents primarily suburban residential developers. We are aligned on the need for an alternate infrastructure funding and financing model to the existing one where the city covers or “front-ends” the cost of infrastructure initially, then is repaid through acreage assessments over time.

It is our shared view that if the city is the only or even the predominant “front-end” payer for growth infrastructure, then our member industries will suffer because of limitations on the city’s ability to take on and service more debt.

An alternate funding and financing model where the developer essentially pays for the infrastructure up front, for example, would allow for the supply of serviced land to be more driven by industry and be responsive to market demand. NAIOP and UDI successfully advocated before City Council to defer GMF approval until an alternate funding and financing model has been negotiated with industry stakeholders.

“The overall increase in levies from 2015... could rise potentially for 2016 to between \$461,600 to \$528,000 per ha – a possible 35% to 38% increase.”

In parallel, NAIOP is a major player in negotiating the current Off-Site Levy Bylaw updates. The current bylaw expires in December 2015, and the new bylaw and levies will be implemented in January

2016 if negotiations are productive. Many topics for discussion include the potential introduction of smaller catchment areas for certain types of infrastructure, and some infrastructure items being removed from the levy bylaw and paid directly by developers at the time of development. The overall increase in levies from 2015 of \$286,000 to \$342,000 per ha, depending on the drainage catchment area, could rise potentially for 2016 to between \$461,600 to \$528,000 per ha—a possible 35% to 38% increase. This is still under discussion and, therefore, subject to change.

“We recommend you review your present and future projects in light of this and prepare for significant impact.”

In the next two months, there will be a lot of work done by our volunteers and many others in the industry, as the intensity of the discussion over the new off-site levy bylaw will increase. A great deal of work will go into reviewing the overall costs, potentially moving items out of the levies to allow more developer control, and changing the way for which some infrastructure items are paid.

We recommend you review your present and future projects in light of this potential increase in 2016 off-site levy rates and prepare for significant impact. NAIOP and others are preparing to advocate and educate our elected officials that this major cost increase within such a quick time frame is going to impact the pace of development in the city and likely continue to push it into surrounding communities. We anticipate this would include the counties of Rocky View and Foothills, and the surrounding communities of Airdrie, Chestermere, Strathmore, Langdon, Okotoks, Turner Valley, Black Diamond,

Cochrane and for industrial, East Balzac, Conrich and Janet. Stay tuned on this important issue that will impact all new growth within the City of Calgary given the level of costs that will be passed on to commercial/industrial users and residential home pricing.

Inner city density adds a further layer of complexity to these discussions. Area infrastructure is limited and there are currently few mechanisms available to pay the cost to upgrade. NAIOP will continue to have an active role in this process, and looks forward to the next initiative which has been deferred during the past two years of the GMF. This will determine and manage infrastructure costs associated with established area redevelopment within Calgary.

Industrial Land Strategy

NAIOP is working closely with the Office of Land, Service, and Housing (OLSH) to help the city with industrial land strategy (ILS) and to seek alternative ways for the city to provide infrastructure and land supply.

It is our underlying philosophy that a municipal government for a city the size of Calgary (1.2 million people and 120 million square feet of industrial inventory) does not need to incentivize industrial development by having government continue to compete with private industry as a land developer.

The city has been a buyer, developer and seller of industrial land for over 50 years. The city owns a large portion of the future supply of industrial land within the city limits yet there previously had been little stakeholder involvement in its strategy to bring these lands to the market. In 2013, the city’s ILS first became public. NAIOP successfully arranged and now leads a mandatory stakeholder process—city administration meets with stakeholders quarterly and then reports back to City Council.



New Development in Proximity of Railways Operations Guidelines

Following several serious derailments over the past few years, the Federation of Canadian Municipalities and Canada's two major railroads have teamed up to lobby cities and other jurisdictions across Canada to introduce more restrictive development policies on lands adjacent to freight rail lines, and attempt to download the risks currently owned by the railroads onto surrounding property owners instead.

The proposed restrictions could seriously impair and restrict development feasibility of all lands located within 30 meters on each side of an operating freight rail line. Proposed restrictions are on use, setbacks, provision of blast walls and other

mitigating measures, and obtaining of detailed risk assessments for individual sites as part of the applications process.

While addressing some legitimate liability issues arising from future land use approvals in face of potential rail accidents, we need to consider lands that were until very recently unencumbered by any restrictions and valued accordingly also.

NAIOP is working jointly with the Urban Development Institute—Calgary (UDI), the Building Owners and Managers Association (BOMA), and the Canadian Home Builders' Association (CHBA). We have been in consultation with city administration to reduce the potential impact of the proposed regulations, and

to ensure that the process for land use and development approvals in the affected areas does not become too restrictive, expensive, nor time consuming.

NAIOP is also encouraging the city to engage the railways in an effort to have them shoulder a share of the costs and/or alter their operating policies with respect to possible considerations such as lower speeds or fewer dangerous loads. We expect regular consultations with the city to continue into 2016, and we look forward to engaging directly with the Mayor and City Council to ensure the new regulations do not unduly restrict nor sterilize lands from development.

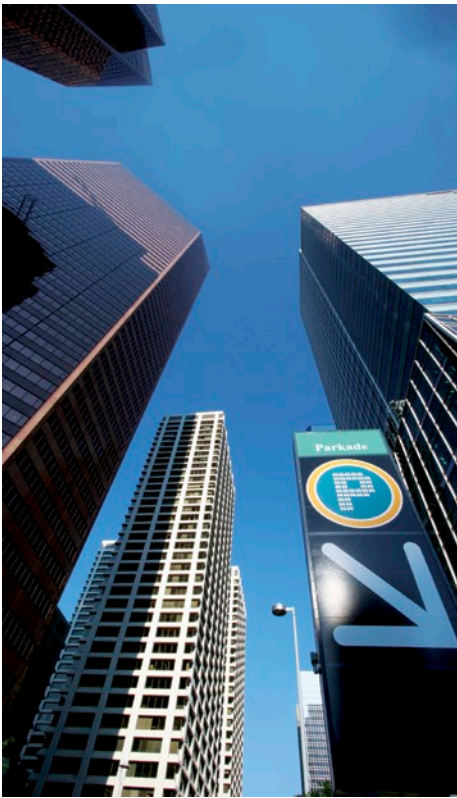
Municipal Government Act Review and City Charters

Closely related to the city's GMF initiative is the province's comprehensive review of the Municipal Government Act (MGA). NAIOP, working with BOMA, is a key industry stakeholder in this review process and we have actively advocated to administration and elected officials. We are particularly focused on amendments to the MGA that would delegate greater powers to municipalities to tax and levy development.

This is a multi-faceted piece of legislation, however, of particular focus are sections dealing with taxation and assessment, regional planning, and municipal planning. Of particular concern is the possible expansion of the rights of municipalities to charge developers for the cost of development. The City of Calgary and the City of Edmonton have been publicly pressuring the province for city charters that would delegate expanded taxation powers.

NAIOP expressed its concern to the province about such delegation, and said that any discussions of city charters should take place within the scope of the MGA review. And regardless, should involve substantive industry consultation.

The MGA review may continue for another year or more. We will also consider the recent change of government for potential new implications.



Downtown Parking Policy

Through our concerted efforts at informing and educating politicians, NAIOP has secured a commitment from the city to formally review the downtown parking policy. The policy has been a continued source of frustration for Calgary's downtown office tower developers and their tenants but industry has been unsuccessful in challenging the policy, until now.

The city adopted this policy more than 40 years ago to restrict the amount of parking under downtown office buildings to promote a modal split towards increased use of public transportation. The policy has been successful in increasing public transit ridership but has resulted in an overall shortage of parking stalls in downtown Calgary with the associated high cost second only to midtown Manhattan in North America.

Productive negotiations between NAIOP and the city have resulted in a draft work plan. This accelerates the timing of when the city will address these downtown issues (including a review of the parking 50% cash-in-lieu policy) to 2016 from the previous target after 2018. This schedule now allows for changes to the bylaw to be considered by council in time for permitting projects that will be built in the next development cycle.

“Productive negotiations between NAIOP and the city have resulted in a draft work plan. This accelerates the timing of when the city will address these downtown issues.”

It is expected that the city will request industry financial participation in the costs if the work program to meet the accelerated schedule, and NAIOP will reach out to you as members to participate at that time.

NAIOP Calgary Communications

In addition to this new quarterly newsletter, we will continue to communicate with you through:

- chapter website
- regular reports to our board of directors
- presentations at chapter events (breakfast forums)
- direct discussions and emails

One of the typical challenges for any organization is effective communication with those it represents. Our committee members are individually well connected and positioned to be aware of the issues facing

our industry and broader membership. The resulting positions on issues for which we advocate are not only well-informed by collective expertise, but by frequent engagement with industry members.

When engaging with the different levels of government and regulators, we advocate through:

- formal written submissions to, and presentations before, city council and committees including position papers
- individual meetings with city councillors
- stakeholder meetings with city administration and provincial ministers and deputy ministers
- meetings with partner organizations such as BOMA, UDI, and CHBA

To date, predominantly due to considerations of limited financial and human resources (committee members are volunteers after all), we have not yet formalized a communications or media relations strategy. We refer all media requests to our chapter president.

Nevertheless, our focused advocacy work has been very effective. The Government Affairs Committee and our chapter take a collaborative approach to resolving issues. With our collective expertise on issues facing our industry, we enjoy a strong relationship with City Council and administration and are building that same relationship with adjacent city and county governments, and with the province.

Our committee and our chapter board of directors are mindful as our presence and influence continue to grow that our members would benefit from a formal public relations strategy.

Events

Register now on naiopcalgary.com/events and save the date for these upcoming chapter events at the Calgary Petroleum Club:

Wednesday, September 23 – Fall Market Update

October 30 – Government Affairs, Jeff Fielding

November 24 – Topic TBD

December 9 – Annual General Meeting and Christmas Cocktail



NAIOP's 2015 Commercial Real Estate annual conference "CRECon" is in Toronto this year October 13 to 15 and the early bird deadline is August 31. Registration and full details at NAIOP.org/crecon15.

We also regularly invite public officials to speak at our breakfast forums. For example, in the past year we have had the following public officials speak:

- Joel Armitage, Director, City of Calgary's Office of Land Servicing and Housing and President, Calgary Housing Company
- Kent Rupert, Development Team Leader, City of Airdrie
- David Kalinchuk, Economic Development Manager, Rocky View County
- David A. Down, Senior Architect, Urban Designer Coordinator, Urban Design and Heritage Land Use Planning and Policy, the City of Calgary
- Tom Dixon, Manager, Real Estate, Transportation and Logistics, Calgary Economic Development

Please contact us to suggest a topic or speaker for future events to chris@quantumplace.ca.

Alberta Wetlands Policy

The province has updated its wetlands policy and can be located at: http://www.waterforlife.alberta.ca/documents/Alberta_Wetland_Policy.pdf

Poll

Complete our quick online poll question to enter to win a free ticket to a chapter event. Go to surveymonkey.com/r/5DX99FK and tell us your favourite newsletter topic—you can even suggest an idea for the next issue.

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