DOWNTOWN DREAMS

TEXT Stephanie Calvet

A CITY OF CALGARY PROGRAM INCENTIVIZES THE CONVERSION OF OFFICE TOWERS INTO RESIDENCES.

DOWNTOWN CALGARY DEVELOPMENT INCENTIVE PROGRAM

CITY-SUPPORTED OFFICE CONVERSION PROJECTS APPROVED UNDER AN EARLIER PROGRAM

A BARON BUILDING (STRATEGIC GROUP)
610 8 AVENUE S.W.
MUNICIPAL INVESTMENT: **$8.5M**
SCOPE OF CONVERSION: **~10,100 M²**
NUMBER OF HOMES: **118 HOMES**

B NEOMA (HOME SPACE)
706 7 AVENUE S.W.
MUNICIPAL INVESTMENT: **$5.5M**
SCOPE OF CONVERSION: **~8,800 M²**
NUMBER OF HOMES: **82 HOMES**

1 THE CORNERSTONE 909 5 AVENUE S.W.
MUNICIPAL INVESTMENT: **$7.8M**
SCOPE OF CONVERSION: **~9,700 M²**
NUMBER OF HOMES: **112 HOMES**

2 CANADIAN CENTRE 833 4 AVENUE S.W.
MUNICIPAL INVESTMENT: **$12,375M**
SCOPE OF CONVERSION: **~15,100 M²**
NUMBER OF HOMES: **225 HOMES**

3 UNITED PLACE 805 4 AVENUE S.W.
MUNICIPAL INVESTMENT: **$6.6M**
SCOPE OF CONVERSION: **~8,200 M²**
NUMBER OF HOMES: **81 HOMES**

4 PALLISER ONE 125 9 AVENUE S.W.
MUNICIPAL INVESTMENT: **$15M**
SCOPE OF CONVERSION: **~18,600 M²**
NUMBER OF HOMES: **176 HOMES**

5 TECH PLACE 205 9 AVENUE S.W.
MUNICIPAL INVESTMENT: **$8.2M**
SCOPE OF CONVERSION: **~10,200 M²**
NUMBER OF HOMES: **113 HOMES**

6 THE LOFT 744 4 AVENUE S.W.
MUNICIPAL INVESTMENT: **$3.9M**
SCOPE OF CONVERSION: **~4,900 M²**
NUMBER OF HOMES: **55 HOMES**

7 EAU CLAIRE PLACE I 525 3 AVENUE S.W.
MUNICIPAL INVESTMENT: **$6M**
SCOPE OF CONVERSION: **~7,400 M²**
NUMBER OF HOMES: **90 HOMES**

8 EAU CLAIRE PLACE II 521 3 AVENUE S.W.
MUNICIPAL INVESTMENT: **$11.9M**
SCOPE OF CONVERSION: **~14,700 M²**
NUMBER OF HOMES: **195 HOMES**

9 TAYLOR BUILDING 805 8 AVENUE S.W.
MUNICIPAL INVESTMENT: **$4.8M**
SCOPE OF CONVERSION: **~6,000 M²**
NUMBER OF HOMES: **85 HOMES**

10 PETRO FINA BUILDING 736 8 AVENUE S.W.
MUNICIPAL INVESTMENT: **$9.7M**
SCOPE OF CONVERSION: **~12,100 M²**
NUMBER OF HOMES: **105 HOMES**

For architects who work with commercial office buildings, these are interesting times. Rising interest rates and the pandemic have led to a surge of commercial loan defaults and property vacancies. Simultaneously, new office construction continues to boom in many major centres, as larger companies shift to higher quality, amenity-rich, and sustainable office buildings.

As a result, demand for Class A buildings—the most prestigious locations—has remained firm. Demand for mid-range Class B and no-frills Class C spaces, on the other hand, has softened.

Some city builders see an opportunity to convert this older stock to residential and mixed-use, addressing both the glut in office vacancies and the housing crunch. One of the leaders in this effort is the city of Calgary, Alberta.

Made-in-Calgary Solutions

While the pandemic shift to work-from-home models triggered new discussions about office conversions in many cities, Calgary's oil and gas driven boom-and-bust cycles gave it a head start. Alberta's commercial capital has historically had a high ratio of office space to population, and began struggling with vacancies during the last energy sector downturn, in 2014. By 2020, office vacancy rates had risen to 32%, eroding the city's property tax base and creating a cash crisis. This galvanized the city to take action.

"We could have reduced office vacancy by putting server farms into the downtown core," said Thom Mahler, The City of Calgary's Director of Downtown Strategy, at the annual convention of the SSHRC research partnership on Quality in Canada's Built Environment this spring. "But that doesn't do a lot for the small businesses, because server farms don't go and buy lunch in the food court. So, it was important to have residential as our first focus."

Calgary Economic Development worked with developers, community groups, and businesses, including global architectural firm Gensler, to strategize on their underperforming properties. The result, Calgary's Downtown Development Incentive Program, is the first of its kind in Canada. The program is designed to support revitalization of the downtown core by encouraging the conversion of underused office space into residential units.

The plan is simple: the city provides grants of $75 per square foot (up to $15M) for the converted space, waives the need for a development permit, and expedites its approval processes. "It's five months for approvals and $17,000 per unit [in development charges] in Calgary, versus 30-plus months and $100,000-plus per unit in Toronto

or Vancouver," said Veronica Green, Associate, Development, with Slate Asset Management, at a recent Urban Land Institute panel.

Since its 2021 launch, Calgary's program is well on its way towards its goal to converting six million of the downtown's 14 million vacant square feet of offices over 10 years, and to increasing the downtown population by 20% in the process. The 10 approved projects will create some 1,237 units of housing, ranging from studios to three-bedroom apartments, and including affordable units as well as units that will rent at 20% below market rate.

A Data-driven Approach

To identify and evaluate the top candidates for cost-effective conversions, Gensler turned design thinking into numbers. The firm created a parameterized algorithm that quickly scored each vacant building using factors that make for a good residential conversion—site context, building form, floor plate and core positioning, envelope, servicing. The algorithm identified a dozen downtown structures that would be viable for conversions. Some of the higher-scoring typologies were buildings with closed offices that were originally constructed in the late '60s and '70s—they generally have smaller floor plates and good corridor-to-window depth—as well as heritage buildings from the first half of the 20th century, which boast brick façades and punched windows.

Residential conversions bring multi-faceted benefits: higher ceilings, desirable locations, and potentially higher floor space ratios compared to typical new apartment buildings.

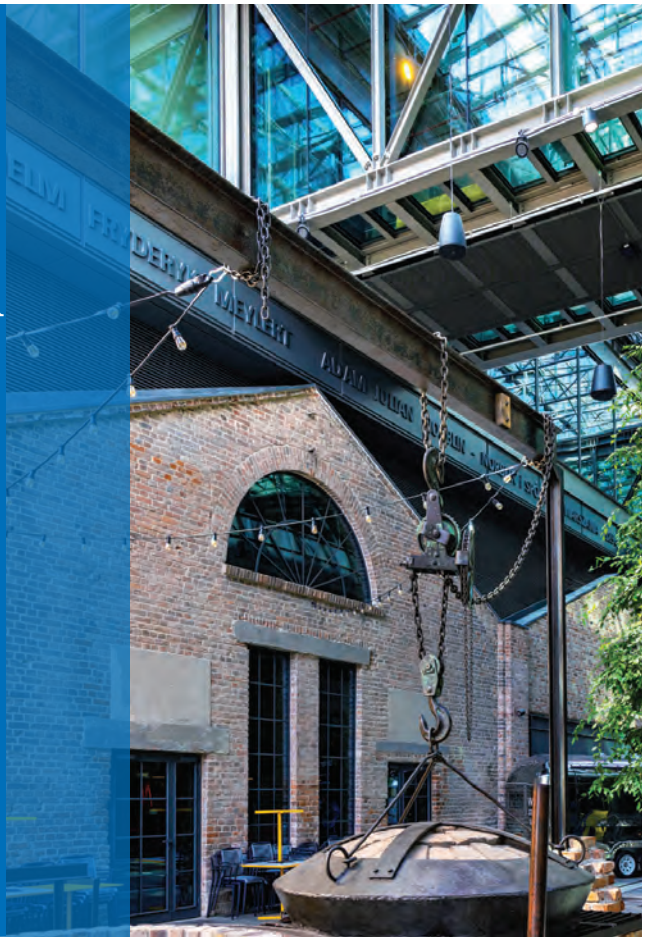
Some of the buildings in Calgary's roster of conversions have deep building floor plates, and while this isn't ideal, creative workarounds can be found. Other cities with similar large, converted buildings have repurposed internal areas as bicycle and tenant storage; added lightwells to draw daylight deep into the building core; or made selective exterior massing adjustments to improve light and air penetration. By switching to a decentralized HVAC system, redundant double-height mechanical floors can be converted to amenity spaces and terraces.

Preserving the building fabric can help create a tangible cultural legacy. "Three of the buildings that have come forward are three of our finest examples of mid-century modern office buildings: the Baron building, the Petro Fina building and the Petro Chemical building," says Mahler. "So, by offering this [office-to-residential conversion] program, we've actually been able to do much more by way of heritage preservation. And these are all along Stephen Avenue, and we'll be able to do a much better job at telling the story of Calgary's office history and petrochemical industry through architecture."

Beyond the Building

The buildings slated for conversion are clustered at the east and west ends of Calgary's downtown core, creating a positive downstream effect for the wider neighbourhoods. The injection of more residential units is stimulating a broader downtown revitalization, and a need for a different city fabric than what has existed for an office-focused area.

"We've been told by proponents converting these buildings to residential, 'We'll do our part, but your downtown is not great for residential amenities. You need to be investing in spaces and places that will make it desirable for someone to sign a lease for these properties,'" says Mahler. As a result, the city has undertaken a slate of capital projects including rebuilding Stephen Avenue and 8th Street SW with better



STEPHANIE CALVET

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TOP Canadian Centre, the largest building in the program, will be converted into 225 residential units. **BOTTOM** The Petro Fina Building is a heritage structure whose adaptive reuse will be facilitated by the conversion program.

public spaces, new paving, lighting, and better connections for all mobility modes in order to support more diverse, mixed-use neighbourhoods. "Our design philosophy [centres] on how to reconfigure public space to support these residential conversions," says Mahler.

Calgary's conversion program has since expanded to support the additional conversion of vacant offices into hotels, K-12 schools, performance spaces, and post-secondary institutions.

Sustainability needs play an increasingly important role in project economics and city policy. According to Architecture 2030, the concrete used in new buildings is responsible for 11% of global carbon emissions. Adaptive reuse can cut that by up to 80%. Conversion presents an opportunity to upgrade an older structure's energy efficiency and environmental resiliency. Arguably, the more diverse urban fabric will also upgrade Calgary's social and economic resiliency.

Challenges

By streamlining permitting and providing robust incentives, Calgary has created a favorable environment for office conversions. Other cities are experiencing a slower journey. Across Canada, few developers and property owners have opted in, either sitting on the sidelines awaiting a market correction, or urging for subsidies to reduce their risk.

The profitability equation is complex when weighing the cost, risk and future revenue associated with the choices between converting a building, demolishing it and building new, or holding an asset until the next market cycle. The technical complexity, hidden costs, and industry's inexperience in office conversions all increase development risk. "These are difficult projects to pencil out," says Stephen Paynter, a Toronto–based partner at Gensler. Educating developer clients to think beyond their usual metrics is a necessary part of the process to encourage developers to gain experience and improve their comfort levels. "More imagination is needed [as a counterbalance to the] condo formula-based approach," says Paynter.

Ultimately, while office conversions can get complicated, they generally come in at a lower cost per unit—Gensler estimates a 30% savings compared to new construction—and with a faster completion. In the case of Calgary, the city's financial incentives cover about a third of the cost of conversion.

Some view the outdated planning policy context and bureaucracy in older, larger cities as contributing to the slowness. In Toronto, a staggering 40 million square feet of new office space is in the approvals pipeline. Yet, there's also a decades-old replacement rule in the Financial District—if you demolish an office, it must be replaced like for like, by an office—which is stalling progress, according to Veronica Green at Slate Asset Management. "What needs to happen is a softening or a dismantling of some of these municipal or provincial policies, and there must be a clear path to redevelopment, so we can let the market react, address the realities of the supply we have today, and assess future demand."

In a recent report on office conversions, the Canadian Urban Institute identified 130 office buildings in 11 cities across Canada as suitable for conversion to residential. There are increasing headwinds: pressure on municipalities to maintain their tax base, concerns over the hollowing out of downtowns, the increasing reach and weight of environmental regulations. As a recent Brookings Institute report titled "Myths about converting offices into housing—and what can really revitalize downtowns" noted, conversions alone cannot solve the problems of excess office inventory or housing demand. Furthermore, thought needs to be given as to causes and consequences. Is this a market failure or a public policy problem? How should the burden and the rewards be allocated among public and private actors? Nonetheless, conversions can contribute to more active and vibrant neighbourhoods in former business districts, while chalking up sustainability gains.

Calgary has shown itself to be nimble in enabling office conversions, partnering with experts, obtaining city council buy-in, and developing an evidence-based and actionable program with a long-term vision. However, other cities will have differing priorities and policy landscapes. For instance, what level of subsidy is financially viable in other cities? Is an equity interest by the city politically feasible to meet affordable housing expectations? While it remains to be seen what aspects of its program can be adopted elsewhere, Calgary has shown that innovative approaches to city-building are possible, and that architects remain a key voice. ◖▲

Stephanie Calvet AIA is a Toronto-based writer and architecture and design consultant.