

Deachman: Why Ottawa should look to Calgary when converting office space to housing

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Downtown Ottawa. PHOTO BY TONY CALDWELL /Postmedia

A resolution recently passed by city council should help re-animate the downtown core by encouraging the conversion of empty office buildings to residential use.

It aims to examine reducing fees and building-permit wait times for developers undertaking such projects, provided they dedicate 20 per cent of the units to affordable housing.

An increase in housing could certainly be achieved by incentivizing developers, but affordable housing is a far less likely outcome, and tying the two together makes little sense.

It's great on paper. The trend away from at-office work was already in progress when the pandemic struck, and any "return to normal" won't fill the downtown core. Conversions, whether to residential or a mix of other uses — daycares, artists' studios or concert venues, for example — are vital to enlivening downtown Ottawa.

“The alternative,” says Somerset Ward Coun. Ariel Troster, who brought forward the resolution, “is more downturn in our downtown, and the gutting of downtown, which is not good for the city.”

But conversions are expensive, in some cases more so than demolishing and rebuilding, and incentives from the city may not be enough to convince developers to include affordable housing. A better solution would be to develop strategies to deal with housing and affordable housing separately. The federal government, once the lead on affordable housing, needs to pick up that mantle again.

Pierre-Jacques Lefavre is vice-president of Groupe MACH, the Montreal-based developer that last year bought 110 O’Connor St. and is still deciding whether to convert the empty 14-storey building, formerly home to DND — to residential. They’d consider all proposals, he says, but doubts most developers would be willing to make the tradeoff. “If I save six months on the permit process, is six months of mortgage interest and municipal taxes going to cover the loss of



building 20 per cent affordable? I don’t know.”

110 O’Connor was a DND office building that is now vacant. The Montreal-based company that bought it a year ago, Groupe MACH, is considering converting it to residential use, but doesn’t think that any possible incentive from the city to include 20 per cent affordable housing will work. PHOTO BY TONY CALDWELL /Postmedia

Oz Drewniak, president of Ottawa’s CLV Group Developments, which is converting 473 Albert St. — formerly the Trebla office building — to 158 residential units, cites numerous advantages of office-to-residential conversions, including increased housing density and vibrancy downtown, increased transit ridership, and a reduced carbon footprint by not demolishing and rebuilding.

But converting has enormous challenges, including site remediation, structural upgrades, and changes to stormwater management, ventilation and plumbing. Additionally, most office buildings, because of their large floor plates or advanced age, aren’t suitable for residential conversion. And many that are don’t lend themselves to units with more than two bedrooms, leaving families out in the cold.

Municipal fees, Drewniak says, such as the \$1 million he says the city charged him in lieu of creating parkland, along with long waits for building permits, make projects onerous, especially if an affordability quota is added. “The economics of it becomes very difficult.”

But Anthony Leaning, principal architect at CSV Architects, which converted 44 Eccles St., a onetime school-turned-office building, into 46 affordable housing units for Cornerstone Housing for Women, warns against giving away the farm with the hope of getting affordable housing.



Ahmed Hussein, Minister of Housing, Diversity and Inclusion, announces \$22.4 million in federal funding for three projects to create 66 new affordable homes in Ottawa thru the Rapid Housing Initiative. The announcement was at 44 Eccles Street Tuesday, where a 3.5 story office building will be converted into 46 supportive single units for women, operated by Cornerstone Housing for Women. PHOTO BY JULIE OLIVER /Postmedia

“Developers would love if there were no zoning requirements,” he says. “And at the other end of the scale is a process that’s so bureaucratic that it’s detrimental to everyone’s objectives. And where we are is somewhere in between.

“There are parts of the development approval process that I find cumbersome and irritating, but I would say that on balance, we’re getting better and better buildings. The development process is complicated, and there’s always room for streamlining, improving and tweaking it, but I think dramatic changes tend to have unintended consequences.”

Among those would be the burden on the city if development fees are greatly reduced. Who then pays for the amenities required by growth? Taxpayers?

The answer may lie in the model used in Calgary, where downtown office vacancy rates have soared since the oil industry tanked in the mid 2010s, giving the city a six-year head start over other cities in finding a solution.

Facing 12 million square feet of empty office space — more than 30 per cent of its total — Calgary developed a plan to convert half of that space to residential within 10 years.

According to Natalie Marchut, development and strategy manager for Calgary’s Downtown Strategy Team, they estimated it would take about \$450 million to accomplish, and the city, hoping for a three-way split with the province and feds (which hasn’t yet happened), has already committed \$153 million to the project.

They opted to keep things simple: affordable housing, although a municipal priority, was not mandatory.

“That was very intentional,” she says. “We just wanted to address this widespread office vacancy and housing crisis.”

It turns out they didn't have to demand affordability. The program, which includes financial incentives — a recent \$38 million conversion, for example, got nearly \$8 million back from the city — and some flexibility on code requirements where it's deemed safe, such as underground parking or stairwell dimensions, has created a lot of competition among developers, with many including affordable units or climate initiatives in the hope that their bids will be chosen.

Admittedly, the buildings being converted in Calgary are about a decade younger than those in Ottawa, thus likely requiring fewer upgrades. But the results have been impressive. In 18 months since accepting submissions from developers, eight projects have been approved and work started, with more than 1,000 mostly rental units replacing a million square feet of empty office space. Another six projects, which will create almost as many residential units, are currently in the approval process.

Among the factors developers find so attractive, says, Marchut, is the exemption for development permits for conversion projects, and the certainty of approval.

If Ottawa's council looks closely at Calgary, perhaps they'll find a program that might work here. Who knows? Given enough incentive and competition, perhaps developers will come up with affordable solutions, or mixed-use options, that will make Ottawa's downtown more attractive without being told they have to.