Capital City Downtown Community Revitalization Levy - Financial Projections

Program Overview

The Capital City Downtown CRL Plan (Bylaw 16521) was adopted by Council on September 17, 2013, and approved by the Province of Alberta on April 16, 2014. On August 31, 2021, City Council approved Bylaw 19820, which amends the Capital City Downtown CRL Plan. The Bylaw was approved by the Province of Alberta on January 26, 2022. The CRL Plan identifies a set of strategic infrastructure investments in the Downtown area (Catalyst Projects) that will accelerate the redevelopment of the area, attract new businesses, create a more complete and vibrant Downtown neighbourhood, encourage quality urban design and increase the use of Downtown amenities.

The CRL applies both the municipal and education taxes related to the incremental assessed value over the baseline to pay for the debt servicing associated with the catalyst projects, other related costs and project office costs. The assessment baseline for the CRL is December 31, 2014.

Annual program shortfalls will be transferred to the Downtown CRL reserve to be recovered through future CRL revenues. The CRL can remain in place for up to a maximum of 20 years from 2015 to 2034, the date that all borrowings are repaid or recovered from the revenues, or an earlier date specified by the province.

Financial Update:

This attachment includes three sections:

1) **<u>Current 20-year Revenue Projections</u>**
   Updated Low, Medium and High Revenue scenarios, and how they compare to projections that were previously shared with Council.
2) **<u>Revenue Projections vs. Approved and Potential Expenditures</u>**
   A comparison of current revenue projection scenarios with expenditures related to approved CRL-funded projects and potential future CRL-funded projects.
   Includes a description of assumptions used in developing the different revenue scenarios.
3) **<u>Detailed Budget Projections</u>**
   Updated year-by-year budget projections for the Downtown CRL, based on the Medium Revenue Scenario.

Current 20-year Revenue Projections

This chart compares the revenue projections for the Capital City Downtown CRL at three points in time. As part of the approval process each of the CRL Plans was required to show low, medium and high revenue scenarios.

Given the size and complexity of the Capital City Downtown CRL, Administration has continued to present low, medium and high scenarios. The medium scenario has been consistently used for budget and reporting purposes.

	Scenarios		
Projected Revenue ($ millions)	High	Medium	Low
Current Projection	**$903**	**$782**	**$731**
February 22, 2022 City Council report UPE00880 Community Revitalization Levy Update - Downtown, The Quarters Downtown, Belvedere	$882	$764	$704
Approved Capital City Downtown CRL Plan (September 2013)	$1,156	$941	$597

Attachment 2

Current Revenue Projections vs. Approved and Potential Expenditures

From 2014 to 2034 (entire life of the Capital City Downtown CRL)
($millions)

	Revenue Scenario 1 HIGH (Note 1)	Revenue Scenario 2 MEDIUM (Note 2)	Revenue Scenario 3 LOW (Note 3)	Revenue Scenario 4 STRESS TEST (Note 4)
Revenue				
CRL Revenue	**$903**	**$782**	**$731**	**$667**
Expenses				
Funded Project Costs				
Debt Servicing for Funded Projects (Note 5)	$649	$649	$649	$649
Other CRL Costs (Note 6)	$91	$91	$91	$91
Subtotal - Funded Project Costs and Operating Expenses	**$740**	**$740**	**$740**	**$740**
Excess/(Deficient) CRL Revenue				
Funded Projects and Operating Expenses	**$163**	**$42**	**$(9)**	**$(73)**
Unfunded Project Costs				
Capital Projects 2027 and beyond (Note 7)	$122	$122	$122	$122
Subtotal - All CRL Projects	**$862**	**$862**	**$862**	**$862**
Excess/(Deficient) CRL Revenue				
All CRL Projects	**$41**	**$(80)**	**$(131)**	**$(195)**

Notes:

1 High Scenario Assumptions:

Market Value Change:

- Hotel and Retail valuations to return to pre-pandemic levels by 2027
- Residential properties, 2023-25: 0 per cent cumulative to +10 per cent cumulative
- Office properties, 2023-25: 0 per cent cumulative to 9 per cent cumulative
- 2026-34: 3 per cent per year

New Development:

20 year development based on 70 to 90 per cent of G.P. Rollo & Associates' development forecast

2 Medium Scenario Assumptions:

Market Value Change:

- Hotel and Retail valuations to return to pre-pandemic levels by 2028
- Residential properties, 2023-25: -2 per cent cumulative to +8 per cent cumulative
- Office properties, 2023-25: -11 per cent cumulative to 5 per cent cumulative
- 2026-34: 3 per cent per year

New Development:

- 20 year development based on 40 to 70 per cent of G.P. Rollo & Associates' development forecast

3 <u>Low Scenario Assumptions:</u>
Market Value Change:
- Hotel and Retail valuations to return to pre-pandemic levels by 2030
- Residential properties, 2022-25: -5 per cent cumulative to 4 per cent cumulative
- Office properties, 2022-25: -16 per cent cumulative to 1 per cent cumulative
- 2026-34: 2 per cent per year

New Development:
20 year development based on 40 to 50 per cent of G.P. Rollo & Associates' development forecast

4 <u>"Stress Test" Scenario Assumptions:</u>
Market Value Change:
- Hotel and Retail valuations do not return to pre-pandemic levels by the CRL's conclusion in 2034.
- Residential properties, 2022-25: -11 per cent cumulative to -2 per cent cumulative
- Office properties, 2023-25: -21 per cent cumulative to -2 per cent cumulative
- 2026-34: 2 per cent per year
  2026-34: 2 per cent per year

New Development:
Only buildings currently under construction are included

5 <u>Funded Project Costs</u>
Includes all CRL-funded Capital Profiles through the 2023-2026 Capital Budget. Includes estimated principal and interest charges.

6 <u>Other Costs</u>
Other costs include project office costs, an allowance for assessment appeal losses, and a $2.53 million annual payment to cover arena borrowing costs originally intended to be funded by incremental parking revenues, as well as any operating costs related directly to specific projects (such as grant payments for private amenity spaces associated with the Station Lands Project).

7 <u>Unfunded Project Costs</u>
This includes projects that have not been initiated, or are only partially complete, such as Jasper Avenue New Vision. City Council may approve funding for these projects in future budgets. These projects have not been scoped in detail. The cost estimate is intended to provide an order of

magnitude of the potential costs, including principal and interest charges. Timing and implementation of these projects will depend on the amount of funds available from the CRL.

Attachment 2

Capital City Downtown CRL - Detailed Budget Projection (Medium Revenue)

($000)	Project Total	Actual 2014 - 2022	2023	2024	2025	2026	2027 to 2034
Revenues							
Community Revitalization Levy	$ 782,488	$ 154,318	$ 30,567	$ 33,364	$ 38,925	$ 41,990	$ 483,324
Total Revenues	$ 782,488	$ 154,318	$ 30,567	$ 33,364	$ 38,925	$ 41,990	$ 483,324
Expenditures							
Debt Servicing	$ 649,389	$ 140,822	$ 28,142	$ 35,745	$ 42,478	$ 43,898	$ 358,304
Other Costs (Note 4)	$ 90,744	$ 23,743	$ 4,713	$ 15,285	$ 4,754	$ 12,135	$ 30,114
Total Expenditures	$ 740,133	$ 164,565	$ 32,855	$ 51,030	$ 47,232	$ 56,033	$ 388,418
Net Income (Loss) (Note 1)	$ 42,355	$ (10,247)	$ (2,288)	$ (17,666)	$ (8,307)	$ (14,043)	$ 94,906
Cumulative Net Income (Deficit), Beginning Adjustments			$ (10,247)	$ (12,535)	$ (30,201)	$ (38,508)	$ (52,551)
Cumulative Net Income (Deficit), Reserve Balance (Note 2)	**$ 42,355**	**$ (10,247)**	**$ (12,535)**	**$ (30,201)**	**$ (38,508)**	**$ (52,551)**	**$ 42,355**
Previous Cumulative Net Income (Deficit), Reserve Balance (Note 3)	**48,869**	**$ (13,839)**	**$ (19,267)**	**$ (31,497)**	**$ (34,492)**	**$ (45,146)**	**$ 48,869**
Net Change (Note 4)	**$ (6,514)**	**$ 3,592**	**$ 6,732**	**$ 1,296**	**$ (4,016)**	**$ (7,405)**	**$ (6,514)**

Explanatory Notes

1 Current Projection

- The current projection for the Capital City Downtown has been revised to reflect current economic conditions. Community Revitalization Levy Revenue over 20 years has been increased by $18 million.
- The Revenue Scenario presented in this forecast and in the Previous Projection reflect the Medium Scenarios.
- Debt Servicing costs have increased as a result of higher interest rates.

2 Reserve Balance

- The $42 million shown as the reserve balance at the end of the CRL in 2034 represents the projected reserve balance at that time less the total amount of debt payments that continue beyond 2034.

3 Previous Projection

- The previous projection reflects the projection included in the February 22, 2022 Council Report UPE00880, adjusted for actual results for the year ended December 31, 2021.

4 Net Change

- The CRL achieved a surplus of $1.5 million in 2022. This compares to a previous projected annual deficit of $(3.0) million. Annual program surpluses and shortfalls are transferred to the reserve to be recovered by future CRL revenues.

- The Capital City Downtown Reserve has a 2022 year-end deficit balance of $(10.2) million which is a decrease of $3.6 million from the previous projection of $(13.8) million. The balance in the reserve is an accumulation of debt servicing costs and other operating costs since the inception of the revitalization levy on January 1, 2015, offset by incremental tax levy in the revitalization area.
- After recording annual surpluses from 2019 to 2022, the CRL is anticipated to run annual deficits in 2023 through 2027.
- In 2032, the CRL reserve is projected to reach a positive position. By the end of 2032 (versus previous projection of 2031) the CRL program will have offset prior year shortfalls accumulated in the reserve if no further capital spending is approved.
- In 2034 (no change from previous projection) the CRL reserve is projected to accumulate sufficient funds to cover the remaining debt servicing costs. This means that starting in 2034, the tax lift excluding the education tax is forecasted to be available to the general tax pool if no additional capital projects are funded.

5 <u>Other Costs</u>

- Other costs include project office costs, an allowance for assessment appeal losses, and a $2.53 million annual payment to cover arena borrowing costs originally intended to be funded by incremental parking revenues.