

Urban Planning and Economy

Edmonton

UPE02234: 2024 CRL Update

UPE02198: Downtown Residential Development
Property Tax Options

UPE02298: Residential Incentive Program
Options

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Investing in Downtown

City Plan: “preserve and strengthen the role of Centre City as Edmonton’s principal employment and residential node...”

- High tax revenue in a small area
- Hub for employment, education, culture, transit
- Central to Edmonton’s reputation
- Potential for growth
- \$1.4 billion in City investment since 2015

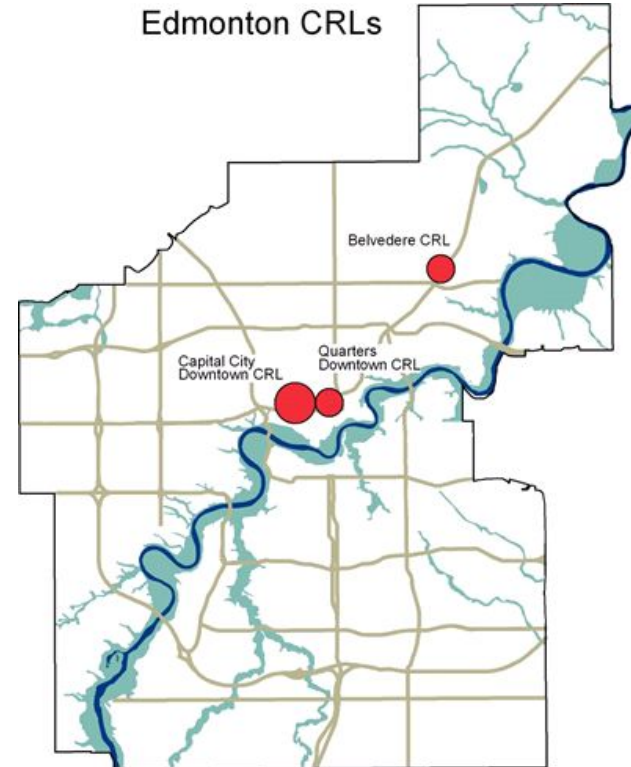


Community Revitalization Levy Areas in Edmonton

Capital City Downtown
2015-2034

The Quarters Downtown
2012-2031

Belvedere
2013-2032



Capital City Downtown CRL (2015-2034)

	HIGH (\$M)	MEDIUM (\$M)	LOW (\$M)
Current Revenue Projection	\$787	\$679	\$632
Current Projected 2034 Reserve Balance	\$32	(\$76)	(\$123)
Previous Projection (Q1 2023)	\$903	\$782	\$731
Previous Projection (Q1 2023) Projected 2034 Reserve Balance	\$163	\$42	(\$9)

Downtown Current Residential Conditions

Downtown as a Home

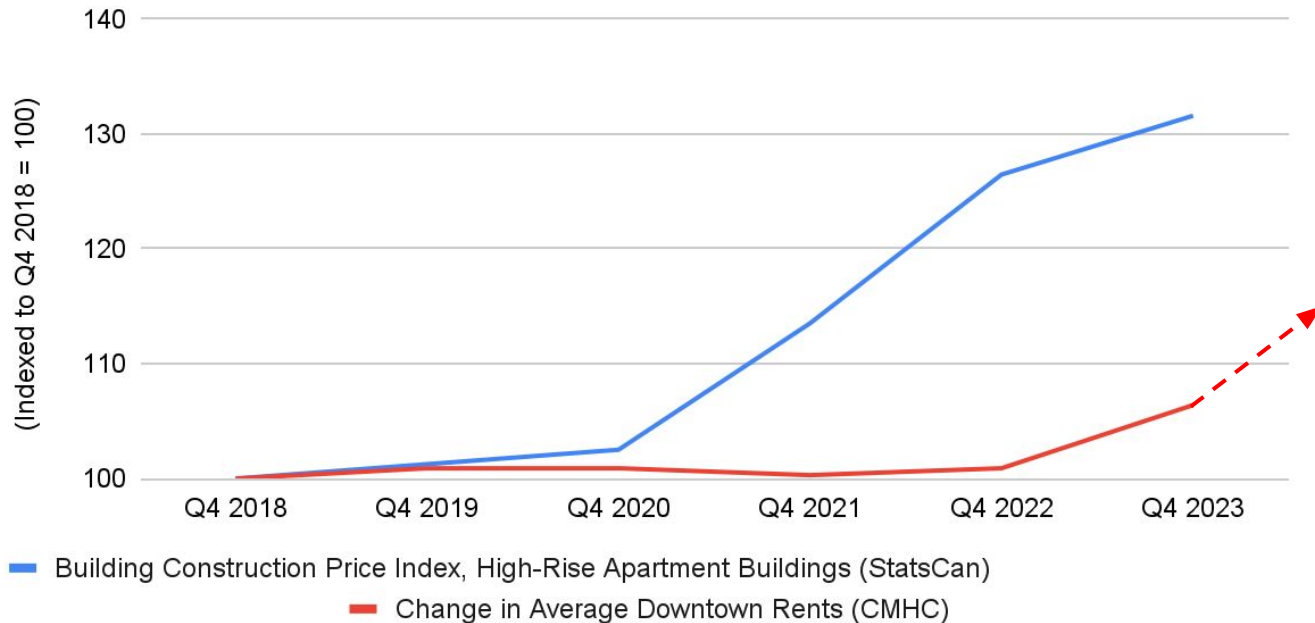
Downtown Vibrancy Strategy: "Our goal is to ensure downtown is a place with a thriving and inclusive population where people continue to want to live...."

- Immigration remains strong
- Downtown post-secondary institutes expanding
- 8898 residences downtown
- 99% of occupied residences are 1-2 bedroom units
- Average downtown rent is \$1600 per month



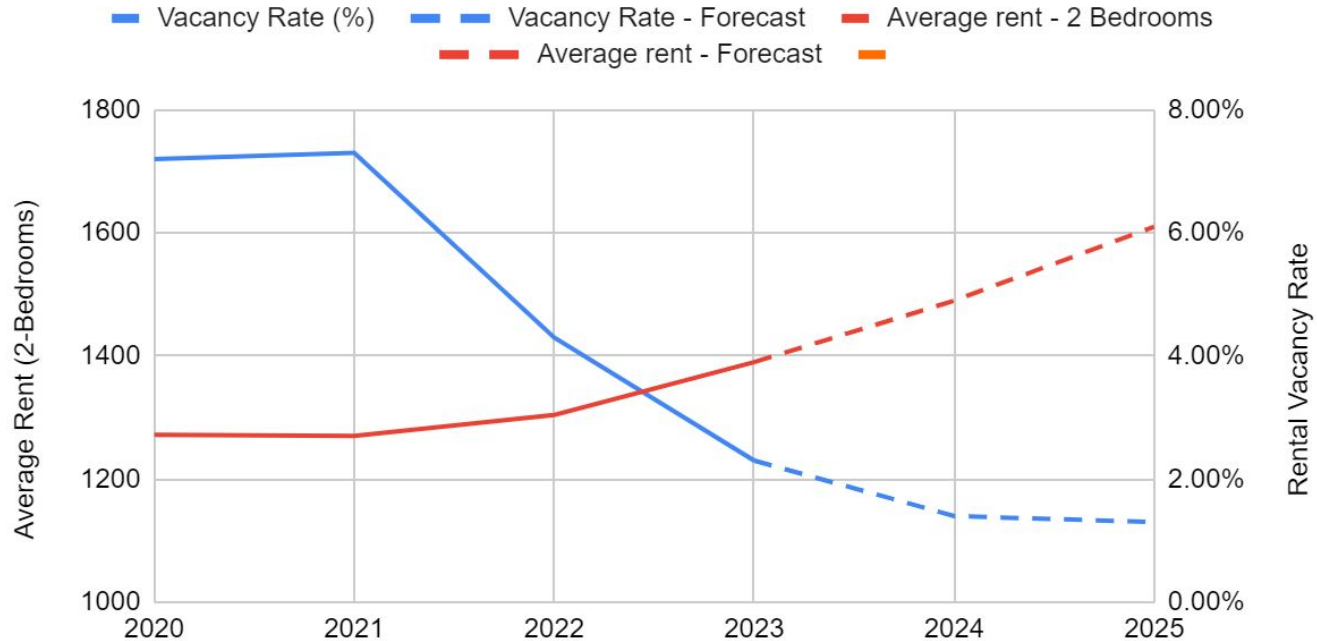
Current Market Conditions

Building Construction Price Index (StatsCan) and Average Downtown Rents (CMHC)



Current Market Conditions

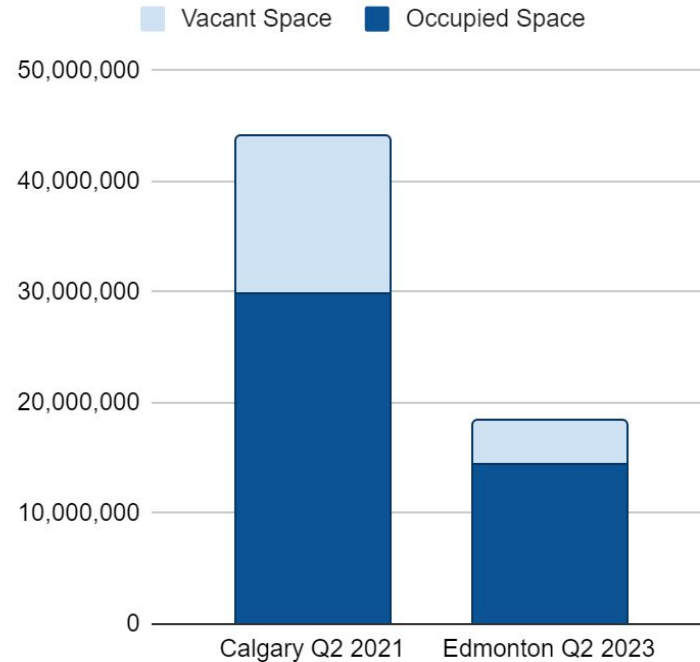
Edmonton CMA Vacancy Rate and Average Rent Forecast (CMHC)



Office Space - Calgary & Edmonton

Calgary - 2021	Edmonton - 2023
34% vacancy	21-24% vacancy
~14 million vacant square feet	~3.7 million vacant square feet
\$16 billion lost assessment	\$3 billion lost assessment
3,500,000 square feet could be converted	Up to 1,100,000 square feet could be converted (2-10 candidates)

Downtown Office Vacancy, Edmonton and Calgary



Incentive Grant's Break-Even Points

Grant amount per Square foot	Approximate grant per unit (840 square feet)	Years to Break Even
\$0	\$0	0 years
\$25	\$21,000	9 years
\$40	\$33,600	13 years
\$75	\$63,000	20 years

Assumes a high-rise development, with 3% annual increase in property taxes after completion.
Includes only municipal property taxes in the calculation

Program Design

Grant Program Design

Administration does not recommend funding an incentive grant using the Downtown CRL, however if funding were available:

Optimal program design:

- Lump sum paid at occupancy
- Competitive grant program, capped at **\$40 per residential square foot**
- Evaluation Criteria
 - Can apply equally to new builds, conversions
 - Primary criterion- lowest \$ per square foot
 - Secondary criteria - affordability, energy efficiency, accessibility (CMHC criteria)

Incentive Grant Program Reports

- The grant program's primary focus is **City Building**:
 - Directing residential investment to the downtown core
 - Downtown vibrancy
- The grant programs are **not** primarily intended to:
 - Provide affordable housing nor efficiently address the housing and homelessness emergency
 - Provide a financial return on investment
 - Provide any particular type of housing (student, family, etc.)
 - Specifically target office conversions

Risks

- 1) Rents are rising - incentives may not be necessary in a few years if trends continue
- 2) Could divert investment from other Centre City areas
- 3) Using limited funds to incent market housing in context of the housing emergency and the supply gap in low income affordable housing
- 4) CRL funding

Extending a Community Revitalization Levy

Amending/Extending a CRL Plan

- Only projects included in the CRL Plan can be CRL funded.
 - Eg. Winspear Centre is not listed
- Amendments are possible, with provincial approval
- One CRL in Alberta has been extended (to 40 years)

- New provincial rules for CRLs adopted in 2022:
 - 3% cap on total assessment in CRL areas
 - CRLs fund only municipal assets
- Edmonton's 3 CRLs were approved/amended prior to the current rules
- Calgary's Rivers CRL was extended prior to the current rules

CRL Extension Benefits and Limitations

An extension means:

Benefits

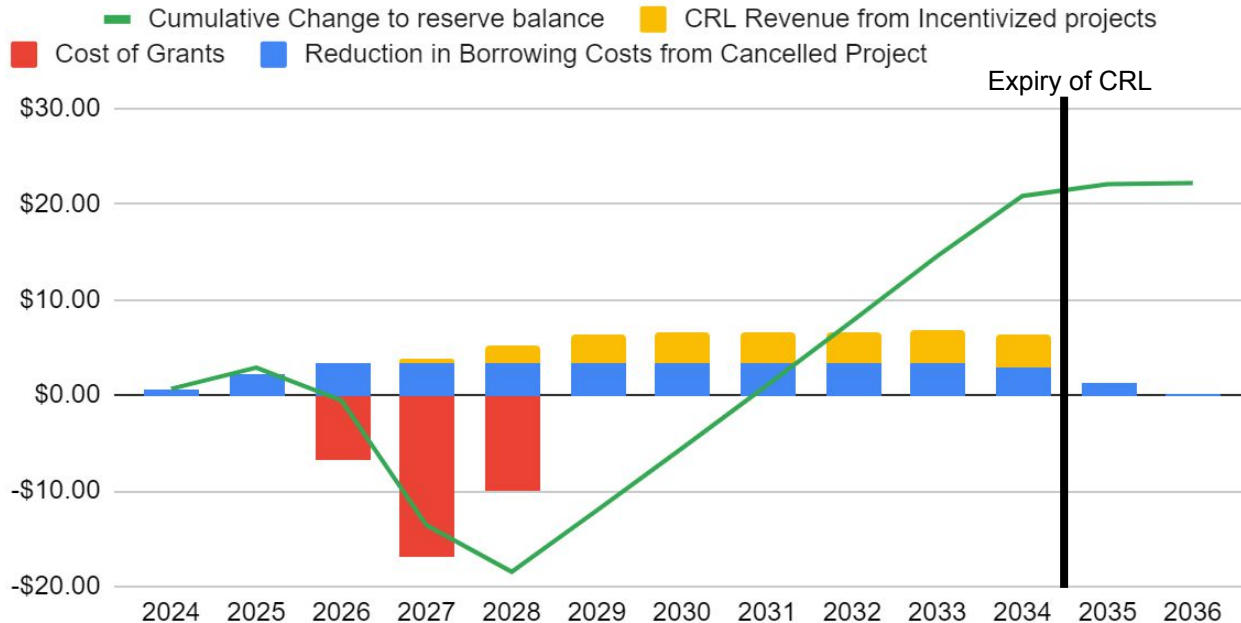
- More CRL revenue over the life of the CRL
- City collects equivalent of provincial property tax for a longer period
- Potential to fund additional projects with CRL funding (in time)

Limitations

- Not solely a municipal decision - requires provincial approval
- Delays return of Municipal portion of CRL to General Revenue putting greater pressure on tax base
- Limited change to immediate financial situation. Additional CRL Revenue is added in 2035+.

Delaying Projects and/or Extending the CRL - Financial Impact

Reduction in Borrowing Costs from Cancelled Project, Cost of Grants and CRL Revenue from Incentivized projects



Questions and Thank You