

The Quarters Downtown Community Revitalization Levy - Financial Projections

Program Overview

City Council approved Bylaw 15800, "Schedule "A" - The Quarters Downtown Community Revitalization Levy Plan" on June 20, 2011. The Quarters CRL provides funding for investments in public infrastructure needed to attract private investment, redevelopment and revitalization of the defined area. To date, Council has approved \$95 million in funding for The Quarters Phase I and Phase II capital projects. Note 3 below includes additional details on approved funding.

The CRL enables the City to apply both the municipal and education tax levy increases related to the incremental assessed value over the baseline to pay debt servicing and other related infrastructure improvements. Annual program shortfalls will be transferred to the CRL reserve to be recovered through future CRL revenues.

The assessment baseline for the CRL was set on December 31, 2011. The Quarters CRL can remain in place for up to a maximum of 20 years from 2012 to 2031, unless the province specifies an earlier date.

Financial Update:

This attachment includes three sections:

- 1) **Current 20-year Revenue Projections** **Page 2**
Updated revenue projection, and how they compare to projections that were previously shared with Council.

- 2) **Current Revenue Projections vs. Approved Expenditures** **Page 3**
A comparison of current revenue projection scenarios compared with expenditures related to approved CRL-funded projects. Includes a description of assumptions used in developing the different revenue scenarios.

- 3) **Detailed Budget Projections** **Page 5**
Updated year-by-year budget projections for The Quarters Downtown CRL, based on the Low Revenue Scenario.

Current 20-year Revenue Projections

This chart compares the revenue projections for The Quarters 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. Subsequent projections for The Quarters Downtown CRL have been based on Low Scenario assumptions.

Projected Revenue (\$millions)	Scenarios		
	High	Medium	Low
Current Projection			\$110
March 22, 2023 City Council Report UPE01583 Community Revitalization Levy Update - Downtown, The Quarters Downtown, Belvedere			\$133
Approved Quarters Downtown CRL Plan (June 2011)	\$150.5	\$143.5	\$139.5

Current Revenue Projections vs. Approved and Potential Expenditures

From 2012 to 2031 (entire life of The Quarters Downtown CRL)
(\$millions)

	Revenue Scenario LOW (Note 1)	Revenue Scenario STRESS TEST (Note 2)
Revenue		
CRL Revenue and Base Tax Levy	\$110	\$101
Expenses (Note 3)		
<u>Funded Project Costs</u>		
2012-2026 Approved Capital Profiles	\$129	\$129
<u>Non-Capital and Project Office Expenses</u>	\$28	\$28
Excess/(Deficient) CRL Revenue		
Only Funded Projects and Operating Expenses Included	\$(48)	\$(57)
<u>Unfunded Project Costs</u>		
No Capital Spending currently proposed	\$-	\$-
Excess/(Deficient) CRL Revenue		
All Projects, CRL Revenue or Costs	\$(48)	\$(57)

Notes:

- 1 Low Scenario Assumptions:
 Market Value Change:
 2022-25: -10 per cent cumulative to +6 per cent cumulative depending on property class
 2026-31: 3 per cent per year
 New Development:
 20 year development based on the original development forecast (Low Scenario).

- 2 “Stress Test” Scenario Assumptions:
 Market Value Change:
 Same as Low Scenario
 New Development:
 Only buildings under construction are included.

- 3 Principal and Interest:
Expenses for funded project costs include all principal and interest charges currently forecast to retire Quarters Downtown CRL debt used to finance Council-approved capital profiles;
Expenses for Non-Capital and Project Office Expenses include operating costs such as project office expenses, rent, percent for art, non-capital components of capital projects.

The Quarters Downtown CRL - Detailed Budget Projection

\$000	Project Total	Actual 2012 to 2023	2024	Projected			2028 to 2031
				2025	2026	2027	
Revenues							
Community Revitalization Levy	\$107,877	\$42,718	5,335	5,818	6,958	7,507	39,542
Base Tax Levy	500	500					
Other Funding	1,286	1,286					
Total Revenues	\$109,663	44,504	5,335	5,818	6,958	7,507	39,542
Expenditures							
Debt Servicing	129,409	42,300	7,968	8,615	8,979	9,029	52,519
Non-Capital Items	10,279	9,649	630	0	0	0	0
Other Costs	17,894	11,820	900	831	807	707	2,829
Total Expenditures	157,582	63,769	9,498	9,446	9,786	9,736	55,347
Net Income (Loss)	(47,918)	(19,265)	(4,163)	(3,628)	(2,828)	(2,229)	(15,806)
Cumulative Net Income (Deficit), Beginning	0	0	(19,265)	(23,428)	(27,056)	(29,884)	(32,113)
Cumulative Net Income (Deficit), Reserve Balance	(47,918)	(19,265)	(23,428)	(27,056)	(29,884)	(32,113)	(47,918)
Previous Cumulative Net Income (Deficit), Reserve Balance	(24,261)	(21,662)	(27,491)	(32,800)	(34,159)	(32,263)	(24,261)
Net Change	(23,657)	2,397	4,063	5,744	4,275	150	(23,657)

Explanatory Notes:

- 1 Current Projection
 - The current projection for The Quarters Downtown has been revised to reflect current economic conditions and updated expenditure cash flows.
 - The projection for CRL revenue decreased by \$23.7 million, due primarily to Administration's decision to remove a major development (referred to as the "Alldritt Tower") from the projection model.
 - The Quarters Downtown revenue projections are based on the Low Scenario.
- 2 Reserve Balance
 - The \$(47.9) million shown in the reserve balance at the end of the CRL in 2031 represents the projected reserve deficit at that time combined with the remaining debt payments that continue beyond 2031.
- 3 Previous Projection
 - The previous projection reflects the projection included in the March 22, 2023 Council Report UPE01583, adjusted for actual results for the year ended December 31, 2022.
- 4 Net Change

Attachment 3

- From 2030 onwards (previous projection 2027) this program is projected to have an annual positive net position, which will be transferred to the CRL reserve if no further capital spending is approved.
- However, this projection indicates that CRL revenues will not be sufficient to cover all outstanding principal and interest costs of the Quarters approved to date catalyst projects before expiry of the CRL in 2031. The shortfall is projected to be \$47.9 million. Ongoing municipal tax revenues that continue beyond 2031 would mitigate the remaining reserve deficit by 2036, five years after the CRL ends.