Attachment 2

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 Government 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 Government 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.

On November 8, 2023, the provincial government renewed the Regulation that allows the City to implement the Downtown CRL. It will be in effect through 2034.

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) **Current 20-year Revenue Projections**

   Updated Low, Medium and High Revenue scenarios, and how they compare to projections that were previously shared with Council.
2) **Revenue Projections vs. Approved and Potential Expenditures**

   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) **Detailed Budget Projections**

Updated year-by-year budget projections for the Downtown CRL, based on the Medium Revenue Scenario.

Current 20-year Revenue Projections

The below 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	**$787**	**$679**	**$632**
March 22, 2023 City Council report UPE01583 Community Revitalization Levy Update - Downtown, The Quarters Downtown, Belvedere	$903	$782	$731
Approved Capital City Downtown CRL Plan (September 2013)	$1,156	$941	$597

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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	**$787**	**$679**	**$632**	**$566**
Expenses				
Funded Project Costs				
Debt Servicing for Funded Projects (Note 5)	$664	$664	$664	$664
Other CRL Costs (Note 6)	$91	$91	$91	$91
Subtotal - Funded Project Costs and Operating Expenses	**$755**	**$755**	**$755**	**$755**
Excess/(Deficient) CRL Revenue				
Funded Projects and Operating Expenses	**$32**	**$(76)**	**$(123)**	**$(189)**
Unfunded Project Costs				
Capital Projects 2027 and beyond (Note 7)	$123	$123	$123	$123
Subtotal - All CRL Projects	**$878**	**$878**	**$878**	**$878**
Excess/(Deficient) CRL Revenue				
All CRL Projects	**$(91)**	**$(199)**	**$(246)**	**$(312)**

Notes:

1 High Scenario Assumptions:
Market Value Change:
- Retail valuations to return to pre-pandemic levels by 2028
- Hotel valuations return to pre-pandemic levels by 2026
- Residential properties, 2024-26: 2 per cent cumulative to +9 per cent cumulative
- Office properties, 2024-26: 0 per cent cumulative to 3 per cent cumulative
- 2027-34: 3 per cent per year

New Development:
20 year development based on 70 to 90 per cent of the original development forecast

2 Medium Scenario Assumptions:
Market Value Change:
- Retail valuations to return to pre-pandemic levels by 2029
- Hotel valuations return to pre-pandemic levels by 2027
- Residential properties, 2024-26: -4 per cent cumulative to +7 per cent cumulative
- Office properties, 2024-26: -8 per cent cumulative to -10 per cent cumulative

- 2027-34: 3 per cent per year

New Development:

- 20 year development based on 35 to 70 per cent of G.P. Rollo & Associates' development forecast

3 Low Scenario Assumptions:

Market Value Change:

- Retail valuations to return to pre-pandemic levels by 2031
- Hotel valuations return to pre-pandemic levels by 2029
- Residential properties, 2024-26: -7 per cent cumulative to 2 per cent cumulative
- Office properties, 2022-25: -25 per cent cumulative to -17 per cent cumulative
- 2027-34: 2 per cent per year

New Development:

20 year development based on 30 to 50 per cent of G.P. Rollo & Associates' development forecast

4 "Stress Test" Scenario Assumptions:

Market Value Change:

- Retail valuations do not return to pre-pandemic levels by the CRL's conclusion in 2034
- Hotel valuations return to pre-pandemic levels by 2032
- Residential properties, 2024-26: -13 per cent cumulative to -1 per cent cumulative
- Office properties, 2023-25: -30 per cent cumulative to -25 per cent cumulative
- 2027-34: 2 per cent per year

New Development:

Only buildings currently under construction are included

5 Funded Project Costs

Includes all CRL-funded Capital Profiles through the 2023-2026 Capital Budget. Includes estimated principal and interest charges.

6 Other Costs

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 Unfunded Project Costs

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.

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

$000	Project Total	Actual 2014 to 2023	Projected 2024	2025	2026	2027	2028 to 2034
Revenues							
Community Revitalization Levy	$679,043	$184,557	31,200	34,426	36,037	38,284	354,538
Total Revenues	$679,043	184,557	31,200	34,426	36,037	38,284	354,538
Expenditures							
Debt Servicing	664,404	169,376	31,481	38,143	43,571	45,965	335,867
Other Costs	90,518	25,710	15,204	4,673	12,054	3,476	29,400
Total Expenditures	754,922	195,086	46,686	42,816	55,625	49,441	365,267
Net Income (Loss)	(75,878)	(10,529)	(15,485)	(8,390)	(19,588)	(11,157)	(10,729)
Cumulative Net Income (Deficit), Beginning	0	0	(10,529)	(26,015)	(34,404)	(53,992)	(65,149)
Cumulative Net Income (Deficit), Reserve Balance	**(75,878)**	**(10,529)**	**(26,015)**	**(34,404)**	**(53,992)**	**(65,149)**	**(75,878)**
Previous Cumulative Net Income (Deficit), Reserve Balance	42,355	(12,535)	(30,201)	(38,508)	(52,551)	(53,929)	42,355
Net Change	(118,233)	2,006	4,186	4,104	(1,441)	(11,220)	(118,233)

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 decreased by $103 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 $(76) million shown in the reserve balance at the end of the CRL in 2034 represents the projected reserve deficit at that time combined with the remaining debt servicing payments that continue beyond 2034.

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

- The CRL had a net loss of $(0.3) million in 2023. This compares to a previous projected net loss of $(2.3) 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 2023 year-end deficit balance of $(10.5) million which is a decrease of $2.0 million from the previous projection of $(12.5) 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 has run a loss in 2023 and is anticipated to run annual losses through 2030.
- From 2031 onwards, 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, the projections indicate revenues from the CRL will be insufficient to cover all outstanding principal and interest charges before the 2034 expiry of the Levy. Ongoing municipal tax revenues that continue beyond 2034 would mitigate the remaining reserve deficit by 2036.

5 Other Costs

- 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.